RACE FINANCIAL INSTITUTIONS, CREDIT DISCRIMINATION AND AFRICAN AMERICAN HOME OWNERSHIP IN PHILADELPHIA, 1880-1960

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ABSTRACT

In the wake of Emancipation, African Americans viewed land and home ownership as an essential element of their "citizenship rights." However, efforts to achieve such ownership in the postbellum era were often stymied by credit discrimination as many blacks were ensnared in a system of debt peonage. Despite such obstacles, African Americans achieved land ownership in surprising numbers in rural and urban areas in the South.

At the beginning of the twentieth century, millions of African Americans began leaving the South for the North with continued aspirations of homeownership. As blacks sought to fulfill the American Dream, many financial institutions refused to provide loans to them or provided loans with onerous terms and conditions. In response, a small group of African American leaders, working in conjunction with a number of the major black churches in Philadelphia, built the largest network of race financial institutions in the United States to provide credit to black home buyers. The leaders recognized economic development through homeownership as an integral piece of the larger civil rights movement dedicated to challenging white supremacy. The race financial institutions successfully provided hundreds of mortgage loans to African Americans and were a key reason for the tripling of the black homeownership rate in Philadelphia from 1910 to 1930.

During the Great Depression, the federal government revolutionized home financing with a series of programs that greatly expanded homeownership. However, the programs, such as those of the Federal Housing Administration, resulted in blacks being

subjected to redlining and denied access to credit. In response, blacks were often forced to turn to alternative sources of high cost credit to finance the purchase of homes. Nevertheless, as a new wave of African American migrants arrived to Philadelphia during post-World War II era, blacks fought to purchase homes and two major race financial institutions continued to provide mortgage loans to African Americans in Philadelphia. The resolve of blacks to overcome credit discrimination to purchase homes through the creation of race financial institutions was a key part of the broader struggle for civil rights in the United States.

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To Melissa

TABLE OF CONTENTS

LIST OF TABLES

Table Page

CHAPTER 1

INTRODUCTION

Responding to the controversy surrounding incendiary remarks made by his former pastor, Reverend Jeremiah A. Wright Jr., then United States Senator and presidential candidate Barack Obama on March 18, 2008 delivered a major address on the issue of race in the United States.[1] In a remarkable and widely-praised speech, Senator Obama grounded his examination of the "complexities of race" on an analysis of the historical legacy of discrimination faced by African Americans.[2] After invoking the words of William Faulkner for the proposition that "'The past isn't' dead and buried. In fact, it isn't even past,'" he proceeded to explain that " . . . many of the disparities that exist in the African-American community today can be directly traced to inequalities passed on from earlier generation that suffered under the brutal legacy of slavery and Jim Crow."[3] He proceeded to elaborate on some of the specific historical reasons behind racial inequalities, explaining:

> Legalized discrimination – where blacks were prevented, often through violence, from owning property, or loans were not granted to African-American business owners, or black homeowners could not access FHA mortgages, or blacks were excluded from unions, or the police force, or fire departments – meant that black families could not amass any meaningful wealth to bequeath to future generations. That history helps explain the wealth and income gap between black and white, and the

[1] Jeff Zeleny, "*Obama Urges U.S. to Grapple With Race Issue*," *New York Times*, March 19, 2008, A1.

[2] Senator Barack Obama, Remarks at the Constitution Center: A More Perfect Union (March 18, 2008), http://go.philly.com/obamarace.

[3] *Ibid.*

> concentrated pockets of poverty that persists in so many of today's urban and rural communities. [4]

Obama explained that only when the white community comes to an understanding of the historical dimension that often serves as the basis for anger in the black community will it be possible to establish a path to a "more perfect union."[5]

While Obama's eloquent comments on racial inequality are rare in the political realm, a number of scholars in the academic sphere have also examined the issue of racial wealth inequality. These studies have demonstrated the existence of a continuing significant wealth gap between whites and African Americans.[6] As of December 2009, the median African American household had a net worth of $2,100.[7] In contrast, the median white family had $94,600 in net worth, forty-five times that of blacks.[8] This

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[4] *Ibid.*

[5] *Ibid.*

[6] *See* Melvin Oliver & Thomas Shapiro, *Black Wealth/White Wealth: A New Perspective on Racial Inequality*, (New York: Routledge, 1995); Thomas Shapiro, *The Hidden Cost Of Being African American: How Wealth Perpetuates Inequality* (New York: Oxford University Press, 2004); Dalton Conley, *Being Black, Living In The Red: Race, Wealth and Social Policy in America* (Berkeley, Calif.: University of California Press,1999).

[7] Michael Powell, "Blacks in Memphis Lose Decades of Economic Gains," *New York Times*, May 30, 2010.

[8] *Ibid.* Oliver and Shapiro have defined wealth in the following manner: "Wealth is the total extent, at a given moment, of an individual's accumulated assets and access to resources, and it refers to the net value of assets ... less debt held at one time. Wealth is anything of economic value bought, sold, stocked for future disposition, or invested to bring an economic return." Oliver & Shapiro, *Black Wealth/White Wealth*, 30.

wealth gap had profound implications for African Americans in education, employment, family, and life opportunities.[9]

The single most important means of accumulating assets, scholars agree, is homeownership. Melvin Oliver and Thomas Shapiro state that: "Home ownership is without question the single most important means of accumulating assets" and thus increasing wealth.[10] As a result, a key cause of the enormous racial wealth disparity is the substantial gap in the homeownership rates between white and African American households. Historically, while the gap has fluctuated, it has consistently exceeded 25 percent throughout the twentieth century.[11] More recently, despite efforts by Presidents Bill Clinton and George W. Bush to make minority homeownership a national priority, in 2003, the African American home ownership rate was 26.7 percentage points below the white rate.[12] The devastating financial crisis that descended upon the United States in 2007 and,

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[9] *See generally*, Conley, *Being Black, Living In The Red*, 55-132 (providing a detailed analysis of the impact of wealth accumulation upon a number of socioeconomic issues).

[10] Ibid., 8.

[11] George Masnick, "Homeownership Trends and Racial Inequality In the United States in the 20th Century" 19 (Feb. 2001), http://www.jchs.harvard.edu/publications/homeownership/masnick_w01-4.pdf.

[12] Joint Center for Housing Studies, Harvard University, "The State Of The Nation's Housing 2005," http://www.jchs.harvard.edu/publications/markets/son2005/son2005.pdf. Following President Clinton's efforts to increase homeownership rates, in June 2002, President George W. Bush announced that he intended to increase minority homeownership by an additional 5.5 million families. David Sanger, "Bush Calls Transformed Area A Model Program for Housing," *New York Times*, June 18, 2002, A20. Pursuant to his objective, the United States Department of Housing and Urban Development issued a report that detailed various barriers impeding minority homeownership and set forth an administrative action plan to overcome such barriers. *See* US Department of Housing

subsequent Great Recession, contributed to an increase in the racial home ownership gap. As of the end of 2010, the racial gap was 29.3 percent, its highest level since the end of the nineteenth century, and, overall, the white homeownership rate was 74.2 percent in contrast to 44.9 percent for African Americans. [13]

Historians have largely ignored the significance of homeownership in the African American community as well as the impact of credit discrimination upon African American homeownership in the North. [14] Nor does the existing scholarship contain an examination of African American efforts to achieve homeownership through the development of indigenousness financial institutions. This dissertation will address these voids in the

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and Urban Development, "Barriers to Minority Homeownership" (June 17, 2002), http://www.hud.gov/news/releasedocs/barriers.cfm.

[13] Tom Braithwaite, "US Homeowners' Racial Gap Widens," *Financial Times*, February 16, 2011.

[14] A number of historians have examined wealth inequality in the context of African American poverty in the post bellum period. In particular, several neoclassical economic historians have generally advanced two main theories, which Stephen De Canio has coined the discrimination theory and the initial conditions of emancipation, to explain the reasons for such poverty. Stephen J. De Canio, "Accumulation and Discrimination in the Postbellum South," *Explorations In Economic History* 16 (1979): 183. In short, the discrimination school of thought argues that African American poverty is attributable to relatively low incomes and lack of wealth caused by the denial of equal employment and educational opportunities in conjunction with discrimination in credit and retail markets in the postbellum era. *Ibid.* The initial conditions of emancipation school of thought argues that the failure of Emancipation and Reconstruction to provide any land or other property to the ex-slaves resulted in wealth inequality and income inequality. (see ibid.) *See i.e.*, Robert Higgs, *Competition And Coercion: Blacks in the American Economy, 1865-1914* (Cambridge: Cambridge University Press, 1977); Stephen De Canio, *Agriculture In The Postbellum South: The Economics of Production and Supply* (Cambridge, MA: M.I.T. Press, 1974); Joseph Reid, Jr., "Sharecropping as an Understandable Market Response: The Post-Bellum South" *Journal of Economic History* 33 (1973): 106-130; Robert Margo, "Accumulation for Property by Southern Blacks before World War I: Comment and Further Evidence" *American Economic Review* 74 (1984): 768-781.

existing scholarship by providing a historical dimension to the debate on racial wealth inequality through the lens of African American homeownership, with a central focus on access to credit.

In addressing these issues, this dissertation will utilize the three-prong methodology for examining African American urban history as set forth by Kenneth L. Kusmer in his groundbreaking essay entitled: "The Black Urban Experience in American History."[15] According to Kusmer, such a historical analysis must focus on three key elements to develop a comprehensive understanding of the subject: the external effects of white racism upon the African American community, the internal dynamics of the African American community, and the impact of structural factors, especially federal, state, and local government action, upon the African American community. The internal, external, and structural aspects of homeownership in the African American community are best understood at a local level due to complex interaction of numerous actors, including: federal, state and local government, banks, building and loans, individual buyers and sellers, real estate agents, and community organizations. As historian, Thomas Sugrue, explained "[t]he intricate dynamics of personal and group interaction – and their interplay with structural forces – are most visible only at the local level."[16] As arguably the foremost African American community in the United States during the nineteenth and early twentieth

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[15] Kenneth Kusmer, "The Black Urban Experience in American History," in Darlene Clark Hine, ed., *The State of Afro-American History: Past, Present, and Future* (Baton Rouge, LA: Louisiana State University Press, 1986), 91-122.

[16] Thomas J. Sugrue, *The Origins Of The Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 1996), 12.

century, Philadelphia is ideally suited as a case study for the application of Dr. Kusmer's analytical framework to the topic of homeownership.

To properly understand the trajectory of homeownership and its relationship to credit discrimination in Philadelphia, it is important to understand the historical role of property ownership in the African American community and the origins of credit discrimination in the post-bellum era. During slavery and, later the Reconstruction era, African Americans rapidly came to understand the important role of property and viewed it as instrumental to ensuring their conception of freedom. For African Americans, property ownership afforded them a measure of independence from the oppressive white community by creating a spatial buffer that allowed them to develop their own culture and institutions. However, without assets to purchase land, African Americans often entered into agricultural tenancy relationships with whites that often forced them to resort to exploitive, short-term credit to sustain their farming endeavors. Given the obstacles, African Americans were surprisingly successful at acquiring land and, by 1910; the overall African American land ownership rate was 21 percent.[17]

Despite such land ownership gains, at the beginning of the twentieth century, the majority of African Americans resided in the South, trapped in a system of debt peonage that deprived them of the ability to accumulation assets. Intent on escaping such hardships, African Americans increasingly viewed the North as the Promised Land. Between 1910 to 1960, millions of African Americans left the rural South for the urban centers of the North, seeking to escape racial animosity and driven by the hope of economic

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[17] Loren Schweninger, *Black Property Owners in the South 1790-1915* (Urbana, IL: University of Chicago Press, 1990), 180 table 19.

opportunity. Among the "cultural baggage" that the migrants brought North, was the desire to achieve homeownership.[18] For African Americans, home ownership served several purposes, including: economic security, a means of preserving familial relationships, enhanced social status and, perhaps most importantly, a vehicle for wealth accumulation.[19] Homeownership also represented the epitome of the American Dream and African Americans, by the millions, looked North for the opportunity to realize that Dream.

In the North, however, African Americans quickly discovered a hostile white community willing to resort to a host of legal and extralegal tactics to maintain housing segregation and deprive African Americans of homeownership. A number of historical impediments, such as racial steering, blockbusting, restrictive covenants, and physical violence hindered African Americans from achieving home ownership. Perhaps, the greatest obstacle was the inability to obtain credit or the increased cost of credit for the purchase of a home.

During the 1930's, the federal government was revolutionized financing of housing to make the dream of homeownership accessible to more people. Unfortunately, the system that the federal government introduced to facilitate home ownership placed substantial obstacles in the path of African Americans. In particular, the Home Owners Loan Corporation and later the Federal Housing Administration contributed to the development of the practice of "redlining" that denied African Americans access to credit for mortgage loans. Such a policy and practice had profound implications upon the

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[18] Andrew Wiese, "Black Housing, White Finance: African American Housing And Home Ownership In Evanston, Illinois, Before 1940" *Journal of Social History* 33 (1999): 435.

[19] Ibid., 435-36.

ability of blacks to achieve homeownership. Scholars such as David Kirp, John Dwyer, and Larry Rosenthal have demonstrated that African Americans received less than one percent of all mortgages in the United States between 1930 and 1960.[20]

Unable to secure mortgages from traditional financial institutions, African Americans were forced to turn to alternative financing arrangements to purchase homes. One of the most common alternatives to emerge for African Americans was the installment land contract. While installment land contracts had certain advantages, they were susceptible to abusive and predatory practices. For example, usury laws and mortgage interest rate ceilings did not apply since the installment land contract was a private contract between parties, and a buyer could charge any interest rate that the buyer was willing to pay. Limited historical evidence suggests that installment land contracts were prevalent in numerous black communities, including Philadelphia, as one of the few available options to obtain financing for the purchase of a home. As a result, the credit discrimination implicit in the duel housing finance system operated to impede African American homeownership and, thus wealth accumulation.

Nevertheless, as they had done in the South, African Americans struggled to create home ownership opportunities for themselves in the face of such obstacles. Since the formal sources of mortgage financing were effectively unavailable or offered at prohibitive rates, African Americans developed other financing methods to purchase a home. Most importantly, in the face of such intractable racism, African Americans exercised agency through the development of their own financial institutions, including banks and building

[20] David Kirp, John Dwyer, and Larry Rosenthal, *Our Town: Race, Housing, and the Soul of Suburbia* (New Brunswick, NJ: Rutgers University Press, 1995), 7.

and loan associations, to provide credit for the purchase of homes in the early twentieth century. Such financial institutions would allow many African Americans to achieve the American dream of homeownership.

While some scholars, such as Andrew Wiese, have argued that African American financial institution "were small and often poorly equipped to meet the urgent demand for home loans within growing black communities," Philadelphia offers a stark contrast.[21] In Philadelphia, the tripling of the black homeownership rate in just two decades was attributable in large measure to the development of African American financial institutions. In 1910, there were eight African American building and loan associations and, just fifteen years later, there were thirty-six in Philadelphia, with a total capital of $5,000,000.[22] Philadelphia was also home to several African American owned banks, one of which was extremely success in restoring the confidence of the African American community in “race banks.” By 1925, African Americans owned homes worth $20,000,000 in Philadelphia.[23] Since there were only approximately seventy black owned building and loan associations in the United States and thirty-six of those were in Philadelphia, it appears that the City of Brotherly Love represented the center of African American efforts to create viable financial institutions to facilitate homeownership.

The development of such financial institutions was spearheaded by a number of prominent black leaders in Philadelphia. Major Richard R. Wright, Sr., Honorable

[21] Andrew Wiese, "Black Housing, White Finance," 438.

[22] I. Maximilian Martin, *Negro Managed Building and Loan Associations in Philadelphia: Their History and Present Status* (Philadelphia: Associated Real Estate Brokers of Philadelphia, 1936), 1.

[23] Commonwealth of Pennsylvania, Department of Welfare, *Negro Survey of Pennsylvania* (Harrisburg, PA: Commonwealth of Pennsylvania, 1927), 27.

George H. White, John Asbury, Reverend William Creditt, Reverend Matthew Anderson, and William Still, recognized that economic development was integral to the larger quest for civil rights and equality for African Americans in the United States. In conjunction with traditional civil rights advocacy, each sought to create indigenous financial institutions to afford African Americans living in Philadelphia the ability to achieve homeownership. Such leaders paved the way for the continued growth of the movement that was spearheaded by a small group of "New Negroes," many of whom were lawyers and professionals who attended elite colleges and professional schools in the North and represented the vanguard of Du Bois' "Talented Tenth."

As legal scholar, Kenneth Mack, has explained, many African American lawyers, such as a number of those practicing in Philadelphia, embraced a professional consciousness of "race uplift" that contained "a voluntarist strand that emphasized intraracial progress, and a legalist strand that centered on moral and legal claims directed to the larger white majority."[24] Mack argues that, in the 1920's, the voluntarist strand dominated and lawyers "emphasized the promotion of local African American institutions – law firms, businesses, churches, newspapers- while remaining cognizant of the discrimination and segregation that hemmed them in."[25] In Philadelphia, George W. Mitchell, Herbert E. Millen, and Raymond Pace Alexander represented the epitome of Mack's voluntarist strand of lawyer as each was integral to the development and success of numerous indigenous African American financial institutions while at the same time

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[24] Kenneth W. Mack, "Rethinking Civil Rights Lawyering and Politics in the Era Before *Brown*," 115 *Yale Law Journal* (Nov. 2005): 280.

[25] Ibid.

vigorous fighting for civil rights and equality for African Americans. These African Americans, and the institutions they helped build, have largely been lost to the pages of history. This dissertation seeks to "rediscover" them and place their accomplishments and the indigenous financial institutions at the center of the historical narrative of African American homeownership.

In seeking to recover this lost history, Chapter 2 explores the central role of land ownership in the South following Emancipation. In particular, the important role of credit in the sharecropping relationship and the impact of discriminatory allocation of credit upon African Americans landownership is a major focus. As African Americans began to leave the South as part of the Great Migration, Chapter 3 looks at the history of the African American community in Philadelphia up to the beginning of the twentieth century. Its demonstrates that the black community was arguably the most important in the United States at the time and blacks engaged in widespread institution building to combat the ills of racial oppression. This Chapter will also study the social and economic status of the migrants arriving in Philadelphia from the South as well as the role of white racism and credit discrimination in impeding African American home ownership.

Next, Chapter 4 and Chapter 5 examine a number of race financial institutions – both banks and building and loan associations. These Chapters focus on the leaders of the race financial institutions and their overall civil rights ideologies. It will also demonstrate that the race financial institutions made hundreds of mortgage loans to African Americans home buyers. Chapter 6 reviews the transformation of the home financing market in the wake of the Great Depression and the emergence of the practice of redlining as practiced by the Home Owners' Loan Corporation and the Federal Housing Administration. Finally, Chapter 7 concludes with a review of the changing nature of the African American community in the post-World War II era and discusses the few African American financial institutions that survived the Great Depression and prospered into the 1950's. Overall, this dissertation demonstrates the steely resolve of African Americans to overcome credit discrimination to purchase homes through the creation of race financial institutions was a key part of the broader struggle for civil rights in the United States.

CHAPTER 2

THE ORIGINS OF AFRICAN AMERICAN PROPETY OWNERSHIP AND CREDIT DISRCIMINATION

Slavery and Property Ownership

While the concept of private property ownership was completely foreign to African culture, its importance in the capitalistic system of the United States was ingrained in the African American experience.[26] During slavery and, later the Reconstruction era, African Americans rapidly came to understand the important role of property and viewed it as instrumental to securing their freedom. For African Americans, property ownership was not simply an economic objective or a status symbol measuring success. Rather, it afforded African Americans a degree of independence from the white hegemonic rule that prevailed in the United States by providing a spatial element to develop their own culture and institutions. Nor was the importance of landownership lost on whites as they sought to limit African American property ownership in order to maintain control over the labor of African Americans. This chapter seeks to examine in detail the obstacles encountered by African Americans in acquiring property during slavery; the importance of land ownership to the emancipated former slaves; the emergence of credit discrimination that locked many African Americans into debt peonage; and the tremendous efforts African Americans exerted to overcome such obstacles and achieve land ownership. A freedom, defined in part by property ownership, would later be taken North by African Americans as part of the Great Migration.

[26] Schweninger, *Black Property Owners in the South*, 10.

Throughout United States history, African Americans have faced enormous, often state-sponsored, obstacles in acquiring assets and, thus wealth. At the time of the Constitutional Convention in 1787, there were approximately 757,000 black persons in America, of whom 697,000 were slaves and 59,000 were free.[27] Further, 92 percent of persons of African descent who were held in bondage as slaves were confined to the South.[28] On the eve of the Civil War, the African American population in the United States had increased to nearly four and half million persons, of which 90 percent were slaves, working primarily as field hands and domestic servants.[29]

Throughout this time period, a central element of white hegemonic rule was a legal regime which proclaimed it illegal for slaves to own property or acquire any form of wealth.[30] As early as the colonial period, laws were passed precluding enslaved persons from purchasing, acquiring, or owning property.[31] For example, a Virginia law from 1692 provided that "'all horses, cattle and hoggs (sic) marked of any negro or other slaves marke, (sic) or by any slave kept' and not 'converted by the owner of such slave to the use and marke (sic) of the said owner' would be forfeited to the use of the parish poor."[32] As

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[27] Lerone Bennett, Jr., *Before The Mayflower: A History of Black America*, 5th ed. (New York: Penguin Books, 1982), 77.

[28] Ibid.

[29] Peter Kolchin, *American Slavery 1619-1877* (New York: Hill and Wang, 1993), 241-42.

[30] Oliver & Shapiro, *Black Wealth/White Wealth*, 37.

[31] Schweninger, *Black Property Owners in the South*, 52.

[32] William Waller Hening, *The Statutes at Large: Being a Collection of All the Laws of Virginia, From the First Session of the Legislature in the Year 1619* (Richmond,

slavery became more entrenched in the South, the legal regime, with increasing specificity, sought to limit property ownership among slaves. In 1846, Texas instituted a law that prevented African Americans from "pretended ownership over property," including: horses, sheep, cattle, goats, hogs, or any other animals.[33] Also, Tennessee prohibited slaves "from owning a pig, cow, mule, horse, or 'other such like description of property.'"[34] Even "[p]roperty held by the slave with the owner's consent was liable to forfeiture."[35]

Recognizing that commercial activity could provide a vehicle for asset accumulation, slave laws also prohibited slaves and whites from trading with one another. As early as 1705, a Virginia law made it a criminal offense for anyone to buy, sell, or receive "any coin or commodity" from a slave without the consent of the master.[36] Such an offense was punishable by either thirty-nine lashes or a fine of four times the value of the item.[37] Subsequently, the punishment was increased to a jail sentence of up to six months.[38]

VA: Printed by and for Samuel Pleasant, junior, printer to the Commonwealth, 1819-23), 3:103, quoted in Thomas D. Morris, *Southern Slavery And The Law, 1619-1869* (Chapel Hill, NC: University of North Carolina Press, 1996), 349.

[33] *The Laws of Texas, 1822-1897*, vol. 2 (Austin, Tex.: Gammel Book Co., 1898), 762-63, quoted in Schweninger, *Black Property Owners in the South*, 19.

[34] J. George Harris, *Acts Passed at the First Session of the Twenty-Third General Assembly of the State of Tennessee* (1840), 82-83, quoted in Schweninger, *Black Property Owners in the South*, 19.

[35] A. Leon Higginbotham, Jr., *In the Matter of Color: Race and the American Legal Process: The Colonial Period* (Oxford: Oxford University Press, 1978), 173.

[36] William Waller Hening, *The Statutes at Large: Being a Collection of All the Laws of Virginia, from the First Session of the Legislature in the Year 1619*, 3:451-52, quoted in Morris, *Southern Slavery And The Law*, 1619-1869, 351.

[37] Schweninger, *Black Property Owners in the South*, 52.

Georgia, effective as of 1826, proscribed African Americans from buying or selling "'any quantity or amount whatever of cotton, tobacco, wheat, rye, oats, corn, rice or poultry or any other articles, except such as are known to be usually manufactured or vended by slaves.'"[39] Such laws were designed to eliminate any degree of economic self-sufficiency, to reinforce the notion of African American inferiority, and to prevent slaves from obtaining weapons for use in insurrection.[40] The ex-slave Harriet Jacobs succinctly stated the relationship between slaves and property ownership in her autobiography: "according to Southern laws, a slave, *being* property, can *hold* no property."[41]

While such laws established a rigid system limiting property ownership, custom and practice within the construct of the domestic slave economy on occasion provided opportunities for enslaved persons to acquire limited amounts of property. In large measure, the ability of slaves to acquire property was dictated by the system of labor utilized by the slave's owner. Perhaps, the best avenue available to slaves to earn money to acquire assets was by the hiring process whereby the master would hire out his slave, or the slave with the permission of his or her master would hire himself out.[42] In such circumstance, a slave was required to pay his or her master a stipulated sum and any monies earned above such a sum

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[38] Ibid.

[39] Ibid.

[40] Higginbotham, Jr., *In the Matter of Color*, 173-74.

[41] Harriet Jacobs [Linda Brent, pseud.], Incidents *in the Life of a Slave Girl*, ed. L. Maria Child (1861; repr. Harvest/HBJ Books 1973), 4.

[42] Kenneth M. Stampp, *The Peculiar Institution: Slavery in the Ante-Bellum South* (New York: Knopf, 1956), 71-72.

were the slave's property.[43] Although such a practice was illegal throughout most of the South, a few slaves, usually skilled artisans in the cities of the Upper South, were able to take advantage of such a labor relationship as a means to accumulate assets or even as a means to obtain freedom.[44]

Likewise, the task system also provided an avenue for property accumulation. Under such a system, a slave was assigned a certain number of tasks and, upon their completion, he could use his time as he saw fit, including asset-producing activities.[45] For example, a study of Liberty County, Georgia, where the task system dominated, discovered that on the eve of Emancipation, slaves had acquired a wide variety of property, including: horses, livestock, foodstuffs and, even, some buggies and wagons. The average value of such assets was $357.43 with the highest values totaling $2,290.00 and the lowest $49.00.[46]

Most commonly, however, slaves labored in a gang system that provided extremely limited opportunities for property accumulation. In such a system, slaves were divided into gangs subject to the command of a driver or overseer.[47] Such a system provided little discretionary time for slaves. One of the few available wealth creation avenues in such a

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[43] Ibid., 72.

[44] Ibid.

[45] Phillip D. Morgan, "The Ownership of Property by Slaves in the Mid-Nineteenth-Century Low Country," *Journal of Southern History* 49 (1983): 399. See Betty Wood, *Women's Work, Men's Work: The Informal Slave Economies of Lowcountry Georgia*, (Athens, GA: University of Georgia Press, 1995).

[46] Ibid., 409.

[47] Stampp, *The Peculiar Institution*, 54.

system consisted of garden plots accorded to the slaves by their masters. Slaves were able to raise food and livestock that they were able to sell or trade for the purchase of small luxuries such as clothing or kitchen utensils.[48] Such a practice was widespread throughout the South, and masters implicitly recognized the slave's ownership interest in production by declining to make any type of claim on the property.[49] As one South Carolina slave recalled, while his master was strict in his control, he allowed "every one of he plantation family so much land to plant for dey garden, and den he give em every Saturday for dey time to tend dat garden."[50]

Furthermore, on rare occasions, a slave's ownership of property was even accorded sanction of law. In *Waddill v. Martin*, the Supreme Court of North Carolina provided a vivid example of custom overriding law and allowing for slaves to accumulate minor assets.[51] In particular, Thomas Waddill and Charlotte Martin served as co-executors of the estate of James Martin, a wealthy planter and considerable slave holder. Prior to his death in 1836, Mr. Martin allowed his slaves a garden plot to grow small crops of cotton. He sold the cotton on behalf of his slaves and, following deductions for his expenses, paid them the

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[48] Eugene D. Genovese, *Roll, Jordan, Roll: The World The Slaves Made* (New York: Pantheon Books, 1974), 535-36. W.E.B. Du Bois argued that such small garden plots served as the basis for the freed person's belief that economic independence could be achieved through land ownership following Emancipation. W.E.B. Du Bois, *Black Reconstruction in America 1860-1880* (New York: Harcourt, Brace and Co., 1935), 123.

[49] Schweninger, *Black Property Owners in the South*, 33.

[50] George Rawick ed., *The American Slave: A Composite Autobiography*, vol. 7 pt.2 (Westport, CT.: Greenwood Press, 1979), 58, quoted in Schweninger, *Black Property Owners in the South*, 31.

[51] *Waddill v. Martin, e.g.*, 38 N.C. (3 Ired. Eq. 562) (1845).

remaining proceeds. After his death, a dispute emerged between the executors regarding whether the estate was liable to continue to pay the slaves the proceeds of the cotton they had raised on their garden plots.[52]

The court, in overruling Ms. Martin's exception, advanced a number of rationales to support a custom that was arguably contrary to the established law regarding slave property ownership. First, the court explained that Mr. Martin's custom conformed to usage that was nearly universal throughout North Carolina. Second, while the court recognized that a slave could not own property, it explained, that "the negro's little crops" were not assets any more than their poultry, dogs or extra clothing.[53] The court invoked a gendered analogy by explaining that the slave's ownership of petty assets was justified by policy and law under the same principle that "the savings of a wife in housekeeping, by sales of milk, butter, cheese, vegetables and so forth, are declared to be, by the husbands consent, the property of the wife."[54]

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[52] Ibid. In 1836 following Martin's death, Waddill, acting as co-executor of the estate, sold the cotton raised on the plantation as well as the cotton raised by the slaves on their garden plots. Following the sale of the cotton, he gave the estate credit for the proceeds of all of the cotton. He proceeded to pay the slaves their share of the money - $143.97 and debited the estate by way of a cross entry. Martin took exception to the entry of payment to the slaves (ibid).

[53] Ibid., 4.

[54] Ibid. The court was careful to note that a married woman could own no property in money or personal chattels and those assets belong to the husband. Unlike slaves, the court explained that a wife could make claims for property against the executor (ibid).

Third and most importantly, the court argued such a custom was “most beneficial” to both slaves and masters in several important ways.[55] It allowed the slave to purchase items that would otherwise have to be provided by their master. Thus, it represented a vehicle for financial savings for a plantation. The court also explained that such minor assets promoted health, cheerfulness and contentment among the slaves, and thus enhanced the slaves’ value. Finally, the court noted, in racially patronizing language, that such “slight indulgencies” were repaid by the “attachment of the slave to the master and his family.” and encouraged industry and honesty among the slaves.[56]

In its discussion, the court noted that since a number of laws regulated trading among slaves, this implicitly recognized that slaves were entitled some sort of ownership of property that was grounded in utility and necessity. The court cautioned, however, that such slave ownership rights were subject to the whim of the master as “if he will, he may take all.”[57] Thus, while the court’s decision recognized limited asset accumulation, it was largely reflective of the prevailing attitude throughout the South that precluded slave ownership of anything but the most meager of assets.

Nor were the obstacles to wealth acquisitions limited to slaves. Free blacks, though not prevented by law from acquiring wealth, were subject to numerous problems ranging from overt discrimination to intimation and violence. Nowhere was such hostility more entrenched than with regards to the acquisition of homes or real estate by African

[55] Ibid., 3.

[56] Ibid.

[57] Ibid.

Americans. Such hostility was often driven by white fear of depreciating property values should African Americans acquire homes in white residential neighborhoods.[58] In 1793 in Salem, Massachusetts, a white minister launched a protest against an attempt to locate "a Negro hut" arguing it depreciated property values, drove out residents, and "generally injured the welfare of the neighborhood."[59] Similar concerns were voiced by a white resident of Indiana who complained that "the proposed establishment of a Negro tract of real estate would reduce the value of nearby white-owned lots by at least 50 per cent."[60] Nevertheless, there were exceptions, and some free African Americans were able to overcome the obstacles and acquire assets, including land and homes in both the North and South. For example, in New York City, free African Americans owned property cumulatively worth over one million dollars and in Cincinnati, Baltimore, Washington and Boston, African Americans owned property worth approximately 500,000 dollars.[61]

In the South, historian Loren Schweninger concluded that in 1860, one out of every six African American family heads in rural Maryland and Virginia had managed to become a land owner.[62] Further, one in every seven urban African American families in the upper South managed to acquire land by the eve of the Civil War.[63] While such gains demonstrate

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[58] Leon Litwack, *North of Slavery* (Chicago: University of Chicago Press, 1961), 169.

[59] Ibid.

[60] Ibid., 170.

[61] Rayford Logan, *The Betrayal of the Negro: From Rutherford B. Hayes to Woodrow Wilson* (New York: First Da Capo Press, 1997), 118-19.

[62] Schweninger, *Black Property Owners in the South*, 74.

the tenacity and resilience of African Americans seeking to acquire assets in a racially-hostile environment, the vast majority of African Americans were legally precluded from not only acquiring land or homes but also acquiring any type of significant assets.

Those free blacks who were legally able to acquire property often met with vicious discrimination and violence as such ownership was viewed as a potential threat to white hegemonic control. In Columbia, Pennsylvania, a mob of angry whites drove African Americans from their neighborhood and into the surrounding woods.[64] After order was restored, a group of white leaders met with African Americans to discuss the sale of their property at "a fair valuation" with the majority agreeing to "sell as fast as funds could be raised."[65] Fredrick Douglas eloquently explained the perilous jeopardy faced by African Americans in 1848 following a series of race riots: "No man is safe—his life—his property—and all that he holds dear, are in the hands of a mob, which may come upon him at any moment at midnight or mid-day, and deprive him of his all."[66]

In contrast, whites faced no such obstacles or burdens. As Oliver and Shapiro explained, "[n]o matter how poor whites were, they had the right—if they were males, that is—if not the ability, to buy land, enter into contracts, own businesses, and develop wealth assets that could build equity and economic self-sufficiency for themselves and their families."[67] Whites were often successful in translating such rights into actual wealth

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[63] Ibid., 77-78.

[64] Litwack, *North of Slavery*, 102.

[65] Ibid.

[66] Ibid.

accumulation. For example, historian Gavin Wright has demonstrated that in the Cotton South in 1860, the average wealth of slaveholders was $24,748 in contrast the average wealth of non-slaveholders was $1,781.[68] At the conclusion of the Civil War, despite modest acquisitions, the overwhelming majority of African Americans had neither land, homes, nor significant assets.

Emancipation, Reconstruction, And The Failure Of Land Reform

In the wake of Emancipation and the defeat of the Confederacy in 1865, the ex-slaves rapidly identified wealth in the form of land ownership as a central component in defining their new found freedom. A black Mississippi resident accurately summarized the aspirations of a newly freed people, stating: "All I wants is to git to own fo' or five acres ob land, dat I can build me a little house on and call my home."[69] African Americans' "mania for owning a small piece of land" was driven by the duel perspective of restitution and economic independence.[70] First, most blacks believed that their past

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[67] Oliver & Shapiro, *Black Wealth/White* Wealth, 37.

[68] Kolchin, *American Slavery*, 180. According to economic historians Roger Ransom and Richard Sutch, in 1860 in South Carolina, Georgia, Alabama, Mississippi, and Louisiana, ownership of slaves accounted for nearly 46 percent of the total accumulated wealth in the region. Roger L. Ransom & Richard Sutch, *One Kind of Freedom: The Economic Consequences of Emancipation* (New York: Cambridge University Press, 1977), xii, 52.

[69] Leon Litwack, *Been in the Storm So Long: The Aftermath of Slavery* (New York: Knopf, 1979), 401.

[70] Eric Foner, *Reconstruction: America's Unfinished Revolution 1863-1877* (New York: Harper & Row, 1988), 104. See Wilbert L. Jenkins, *Climbing Up to Glory: A Short History of African Americans During the Civil War and Reconstruction* (Wilmington, DE: Sr. Books, 2002).

labor as slaves should be compensated with land from their previous owners' estates. As a black convention in Alabama declared that "[t]he property which they hold was nearly all earned by the sweat of *our* brows." [71] In essence, African Americans advanced the equitable argument of unjust enrichment to demonstrate their deserved claim to land.

Second, African Americans firmly believed that land ownership was necessary to ensure economic autonomy from their former owners. The years of servitude in an agricultural economy dominated by cotton production had impressed upon the former slaves the relationship between land ownership and independence. Indeed, a former slave in Charleston stated the general sentiment: "Gib us our own land and we take care ourselves, but widout land, de ole massas can hire us or starve us, as dey please."[72] With land, African Americans felt they would be able to engage in small-scale agricultural activity sufficient to provide for themselves and their families, thereby diminishing the ability of whites to utilize economic tools of oppression. Overall, African Americans considered the ownership of land as the one necessary ingredient to "complete their independence."[73]

The former slave owners were also keenly aware of the importance of landownership. While whites reluctantly came to understand that the institution of slavery was a relic of the past, they vigorously sought to maintain their hegemonic control by preserving the base of their power: land. One white land owner in Alabama

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[71] Ibid., 105.

[72] Whitelaw Reid, *After The War: A Tour of the Southern States: 1865 to 1866* (New York: Harper, 1866), 59. See Wilbert L. Jenkins, *Seizing The New Day: African Americans in Post-Civil War Charleston*. Bloomington, IN: Indiana University Press, 1998.

confronted a group of former slaves attempting to take control of part of his land, exclaiming: "Listen, niggers, what's mine is mine, and what's yours is yours. You are just as free as I and the missus, but don't go foolin' around my land."[74] Furthermore, whites realized that land would be a crucial ingredient in the reordering of the labor relationship between whites and blacks in the post-bellum era. The essence of the role of land in dictating labor relations was captured by one white southerner when questioned regarding the problem with land distribution to the former slaves. He replied by explaining:

> The real reason . . . why it wouldn't do, is that we are having a hard time now keeping the nigger in his place, and if he were a landowner he'd think he was a bigger man than old Grant, and there would be no living with him in the Black District . . . . Who'd work the land if the niggers had farms of their own . . . ?[75]

Such comments revealed the fierce determination of whites to utilize economic weapons as a methodology to relegate the ex-slaves to a position of subordination in the immediate aftermath of the Civil War.

Nevertheless, in the months following the Confederacy's surrender at Appomattox Court House in Virginia, African Americans believed that the federal government was prepared to institute a massive program of land distribution. As one African American preacher in Florida told a group of field hands: "It's de white man's turn ter labor now. He ain't got nuthin' lef' but his lan', an' de lan' won't be his'n long, fur de Guverment is gwine

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[74] Litwack, *Been in the Storm So Long*, 402.

[75] Gunnar Myrdal, *An American Dilemma: The Negro Problem And Modern Democracy* (New York: Harper, 1944), 227.

ter gie ter ev'ry Nigger forty acres of lan' an' a mule."[76] That African Americans harbored such aspirations may be attributed to several events which occurred during the closing stages of the Civil War. On January 12, 1865, as Union General William T. Sherman was concluding his March to the Sea, he and Edwin Stanton, Secretary of War, met with twenty African American leaders in Savannah.[77] The purpose of the meeting was develop a plan of action to handle the thousands of African Americans who were flocking to Sherman's sixty thousand man army as it cut its trail of destruction through the South. Garrison Frazier, a former slave and Baptist minister, explained to Sherman and Stanton that the best way to deal with the problem would be to provide the former slaves with land to "turn it and till it by our own labor."[78] Shortly after the meeting, General Sherman issued Special Field Order No. 15 that provided African Americans with the exclusive right to settle on land that had been abandoned in costal South Carolina and Georgia. Pursuant to the Order, former slaves were promised title to forty acres of land each, and later Sherman's army provided assistance with the loan of mules. Just six months after the issuance of the Order, forty thousand ex-slaves had occupied 400,000 acres of "Sherman land."[79]

Following General Sherman's actions, on March 3, 1865, Congress established the Bureau of Refugees, Freedmen, and Abandoned Lands, better known as the Freedman's

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[76] Nicholas Eppes, *Negro of the Old South: A Bit of Period History* (Chicago: Joseph C. Branch, 1925), 133, quoted in Litwack, *Been in the Storm So Long*, 402.

[77] Foner, *Reconstruction: America's Unfinished Revolution*, 70.

[78] Ibid.

[79] Ibid, 70-71.

Bureau, whose purpose was to assist the former slaves in the transition to freedom.[80] In establishing the Bureau, Congress included a provision that authorized it to rent, and eventually sell, to ex-slaves forty acre plots of confiscated and abandoned land.[81] Such a Congressional authorization was potentially significant as the Bureau controlled over 850,000 acres of land.[82] In anticipation of the distribution of land, one freedman in Virginia reported that African Americans were depositing savings with "responsible" persons in order to purchase lots of "de confiscated land, as soon as de Gov'ment ready to sell it."[83]

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[80] Ibid., 68-69. See generally, George Bentley, *A History of The Freedmen's Bureau* (Philadelphia, PA: University of Pennsylvania, 1955); Martin Abbott, *The Freedmen's Bureau In South Carolina* (Chapel Hill, N.C.: University of North Carolina, 1967); Howard White, *The Freedmen's Bureau In Louisiana* (Baton Rouge, LA: Louisiana State University Press, 1970); William McFeely, *Yankee Stepfather: General O.O. Howard and the Freedmen* (New Haven, CT: Yale University Press, 1968); Barry Crouch, *The Freedmen's Bureau and Black Texans* (Austin, TX.: University of Texas Press, 1992); Donald Nieman, *To Set The Law In Motion: The Freedmen's Bureau and the Legal Rights of Blacks*, 1865-1868 (Millwood, NY: KTO Press, 1979).

[81] Litwack, *Been in the Storm So Long*, 401. During the course of the Civil War, President Abraham Lincoln and Congress passed a series of laws designed to assist the war effort by imposing additional financial hardships on the South. Claude Oubre, *Forty Acres and a Mule: The Freedman's Bureau and Black Land Ownership* (Baton Rouge, LA: Louisiana State University Press, 1978), 1. In particular, on August 6, 1861, the first confiscation act provided the President with the authority to take property used in the aid of the rebellion. Subsequently, on July 17, 1862, the second confiscation act provided for the seizure of property of persons guilty of disloyalty to the Union. President Lincoln successfully insisted that confiscation act include language limiting its application to the life of the guilty person and he used his authority under the act sparingly. In addition to the confiscation acts, land also became subject to seizure with the passage of a law imposing a direct tax on property. In July 1865, President Andrew Johnson ordered all abandoned and confiscated property to be turned over to the Freedman's Bureau (ibid.).

[82] Foner, *Reconstruction: America's Unfinished Revolution*, 158.

[83] Litwack, *Been in the Storm So Long*, 400.

Pursuant to its mandate, in several areas in the South, Bureau officials commenced actions to settle the freemen on the abandoned or confiscated land.

The land distribution actions of General Sherman and various Bureau officials, however, were rapidly stopped and reversed when President Andrew Johnson issued a general proclamation of amnesty whereby most ex-Confederates were to be pardoned and any land that had been abandoned or confiscated was restored to the owner.[84] Throughout the South, including the "Sherman land," Bureau agents were forced to confront ex-slaves and deliver the following disheartening news:

> The government owns no lands in this State. It therefore can give away none. Freedmen can obtain farms with the money which they have earned by their labor. Every one, therefore, shall work diligently and carefully save his wages till he may be able to buy land and possess his own home.[85]

While ex-slaves often fiercely resisted returning the occupied land, the vast majority of it was restored to the original owners within several years.[86]

Several other legislative efforts to enact major land reform met with similar fates. Some radical Republicans led by Charles Sumner, Thaddeus Stevens, and George W. Julian believed that Southern society must be remade by destroying the existing plantation economic system, seizing land, and giving it to ex-slaves. Indeed, Stevens advanced nothing short of a social revolution by suggesting the confiscation of four hundred million acres from the wealthiest members of the Southern aristocracy and redistribution of that land in forty acre plots to every adult freedman, with the remainder to be sold in plots no larger

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[84] Ibid, 404.

[85] Ibid., 403.

[86] Foner, *Reconstruction: America's Unfinished*, 61.

than five hundred acres.[87] In the eyes of the radicals, such land reform was crucial to eradicate the economic legacy of slavery and usher in the ideology of free labor throughout the South.

While such massive proposals were ultimately rejected by moderate Republicans, the radicals were successful in 1866 in passing the Southern Homestead Act.[88] The Act allowed public land to be homesteaded "for actual settlement" for blacks and loyal whites in eighty-acre parcels in Arkansas, Alabama, Florida, Louisiana, and Mississippi until January 1, 1867.[89] The program, however, was a failure, as the claim process was poorly organized and the land was of marginal quality. Four years after the passage of the law, approximately 6,500 African Americans had attempted to acquire land; less than 1,000 of those were actually successful in completing the ownership process.[90]

By 1867, it was clear that land reform was not going to be an element of Reconstruction. Without land reform, the former slave owners were largely able to maintain their plantations as they existed prior to the Civil War.[91] Its failure left a lasting bitterness with the ex-slaves for decades. As one black Mississippian recalled: "De slaves . . . spected a heap from freedom dey didn't git . . . . Dey promised us a mule an' forty acres o' lan'."[92]

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[87] Ibid.

[88] Oubre, *Forty Acres and a Mule*, 87.

[89] Ibid., 93.

[90] Ibid., 188.

[91] Gavin Wright, *Old South, New South: Revolutions in the Southern Economy Since the Civil War* (Baton Rouge, LA: Louisiana State University Press, 1986), 84.

Furthermore, its failure was a lost opportunity resulting in a perpetuation of racial wealth inequality that arose as a result of slavery. As W.E.B. Du Bois lamented, "to have given each one of the million Negro free families a forty-acre freehold would have made a basis of real democracy in the United States that might easily have transformed the modern world."[93]

Sharecropping And Credit In The Post-Bellum Era

Despite the failure of Reconstruction to provide land to the ex-slaves, African Americans continued to strive to acquire assets in the context of a new system of labor relations between the former slaves and the former slave owners. In the immediate aftermath of the Civil War in 1865 and 1866, several hundred thousand African Americans entered into wage labor contracts with their former masters, supervised by the Freedman's Bureau, as a means to accumulate savings to achieve landownership.[94] The wages paid under the contracts, however, were barely sufficient to survive. One Bureau agent recalled in 1866, "[w]ith labor at fifteen dollars a month, it is one endless struggle to beat back poverty."[95] By 1867 and 1868, the number of labor contracts declined as African Americans sought a more favorable labor system as a vehicle to accumulate assets. As Gavin Wright explained "[w]hat they aspired to was not an ever-increasing wage as their productivity increased, because the labor market did not offer that, but accumulation of

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92 Foner, *Reconstruction: America's Unfinished*, 164.

93 Du Bois, *Black Reconstruction in America 1860-1880*, 602.

94 Ralph Sholomowitz, "The Origins of Southern Sharecropping," *Agricultural History* 53 (1979): 558.

95 Foner, *Reconstruction: America's Unfinished*, 166.

wealth leading to eventual farm ownership."[96] The vehicle African Americans hoped would lead to such wealth accumulation was a new system of tenancy labor that emerged during the postbellum era in the South.

Determined to avoid the system of gang labor prevalent in the slavery era and convinced that the wage contracts were unfair, African Americans sought to develop a new system of labor relations in the context of the Southern agricultural economy. Gradually, over a period of time, a compromise was effectively negotiated with the establishment of a tenancy system whereby ex-slaves retained a degree of personal autonomy while land owners maintained their economic hegemony over black labor.[97] In essence, the plantations throughout the South were divided into small plots of land which the planters rented to the

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[96] Wright, *Old South, New South*, 99.

[97] Ransom & Sutch, *One Kind of Freedom*, 94. Scholars have debated the historical origins of sharecropping in considerable detail. In particular, some scholars have argued that sharecropping was not a compromise, but rather that it was imposed upon planters by the ex-slaves. See Ronald L. F. Davis, *Good And Faithful Labor: From Slavery to Sharecropping in Natchez District, 1860-1890* (Westport, CT: Greenwood Press, 1982); Charles Flynn, *White Land, Black Labor: Caste and Class in Late Nineteenth-Century Georgia* (Baton Rouge, LA: Louisiana State University Press,, 1983). Other scholars have argued that sharecropping was the preference of the planters as opposed to the ex-slaves. *See* Gerald David, *Branches Without Roots: The Genesis of the Black Working Class in the American South, 1862-1882* (New York: Oxford University Press, 1986); Jay R. Mandle, *The Roots of Black Poverty: The Southern Plantation Economy After the Civil War* (Durham, NC: Duke University Press, 1978); James Oakes, "The Present Becomes the Past: The Planter Class in the Postbellum South," in *New Perspectives on Race and Slavery in America: Essays in Honor of Kenneth M. Stampp*, ed. Robert H. Abzug and Stephen E. Maizlish (Lexington, KY: University of Kentucky Press, 1986).

ex-slaves.[98] The precise contours of the tenancy relationship were dictated by an "agricultural ladder."[99]

On the top rung of the agricultural ladder were fixed tenants (also known as cash tenants). Such farmers rented land from the owner and paid the owner either a fixed sum of cash or its equivalent in crop values.[100] The second rung of the ladder was occupied by share tenants. Share tenants also rented the land from the planter and paid for it with a share of the raised crop, ranging from one-fourth to one-third.[101] Both fixed and share tenants typically owned their own farm equipment and animals. The distinction between fixed and share tenants related to the degree of control, with regards to output and management, exerted by the landlord over the farm production process. Typically, fixed tenancy was reserved for "the highest class" of tenants who were regarded by landlords as trustworthy and "who are by that fact emancipated in the main from the directing authority of the landlord."[102]

On the bottom rung of the ladder were sharecroppers. Sharecroppers, who did not own any farm equipment or animals, worked the land and were paid by the planter with a

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[98] Leon Litwack, *Trouble In Mind: Black Southerners in the Age of Jim Crow* (New York: Alfred A. Knopf, 1998), 128.

[99] Wright, *Old South, New South*, 99.

[100] Arthur Raper, *Preface to Peasantry: A Tale of Two Black Belt Counties* (Chapel Hill, NC: University of North Carolina Press, 1936), 146-47.

[101] Ibid.

[102] Benjamin Hibbard, "Tenancy in the Southern States," *Quarterly Journal of Economics* 27 (1913): 486, quoted in Wright, *Old South, New South*, 100.

share of the raised crop, usually one-half.[103] The sharecropper was supplied with land, housing, farm equipment, animals, and seed by the owner.[104] The crucial distinction on the agricultural ladder was between renters and croppers. Historian Harold Woodman explained: "[T]he cropper was a wage laborer, his wages being a portion of what he produced paid *to* him *by* the landlord. The tenant was a renter who paid rent *to* the landlord for use of the land."[105] Since a sharecropper was, in essence, an employee, the landlord was able to assert a substantial degree of control in directing and managing the cropper's agricultural output in sharp contrast to the tenant relationship that provided a degree of independence to the farmer.[106]

The decisive factor in determining the applicable rung on the agricultural ladder and in turn the degree of independence from the landlord was the farmer's wealth accumulation. If a farmer owned his own farm equipment and animals and had other capital, he could rent his land and operate with a substantial degree of independence while also retaining a greater portion of his crop, thereby increasing his income and ability to accumulate wealth. However, since African Americans had few assets and little wealth in the wake of their Emancipation, the majority were relegated to the status of sharecroppers on the bottom rung of the agricultural ladder. As historian Lerone Bennett, Jr. concluded, "[w]ithout land,

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[103] Wright, *Old South, New South*, 100.

[104] Ransom & Sutch, *One Kind of Freedom*, 90.

[105] Harold Woodman, *New South—New Law: The Legal Foundations of Credit and Labor Relations in the Postbellum Agricultural South* (Baton Rouge, LA: Louisiana State University Press, 1995), 68.

[106] Ibid., 93.

without tools, without capital or access to credit facilities, the freedmen drifted into a form of peonage: the sharecropping system."[107]

Sharecropping not only created an agricultural relationship, but also resulted in the establishment of a credit relationship.[108] Generally, in the South, a farmer planted his crop, usually cotton, in early spring and did not harvest and sell the crop until November or December.[109] With few or no assets to fall back on during such a growing and harvest season, African Americans required a source of short term credit to sustain themselves and their families.[110] Consequently, the new credit system of the post-bellum era was born.

The Civil War and the Emancipation not only ended the economic institution associated with slavery but also destroyed the financial system of the South, including the credit and banking system. For example, in 1860, Georgia and South Carolina had a total of forty-nine state-chartered banks. Following the Civil War, only four of those banks remained in business.[111] Further, the National Banking Act, enacted during the Civil War, effected numerous major changes to the United States financial system which impeded the growth of banks in the South. Among the Act's changes was a prohibition against national

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[107] Bennett, *Before The Mayflower*, 224.

[108] Wright, *Old South, New South*, 97.

[109] Ransom & Sutch, *One Kind of Freedom*, 120.

[110] Ibid., 121.

[111] Ibid.

banks making mortgage loans for periods longer than five years.[112] Indeed, in the three years following the Civil War only 20 of the 1,688 national banks established were located in Southern states (Arkansas, Alabama, South Carolina, Georgia, and Mississippi).[113]

Along with the Freedman's Bureau, Congress also established the Freedman's Savings and Trust Bank to act as a financial savings institution for African Americans.[114] Thousands of African Americans deposited their meager savings with the Freedman's Bank, often with the hope of eventually saving enough to purchase land. Unfortunately, the Bank was poorly managed and a series of poor investment decisions resulted in its collapse in June of 1874. Approximately half of the depositors lost all of their savings and the remainder received compensation from the federal government in the average amount of $18.51 per person, or 60 percent of their total deposits.[115] The collapse of the Freedman's Bank instilled a lack of confidence in financial institutions among African Americans for decades

The dearth of national banks and the collapse of the Freedman's Bank created a credit vacuum that was not met by state-chartered and private banks. Such banks were generally located in commercial centers and had no interest in extending credit to small farmers.[116] Even when national banks did operate in rural areas, such as the National Bank

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[112] Ibid., 341n9. In order to obtain a national charter, the Act required a bank to have $50,000 paid-in capital. Further, the Act placed restrictions on note issuance and deposit establishment (ibid., 110).

[113] Ibid., 110.

[114] Foner, *Reconstruction: America's Unfinished Revolution*, 69, 531.

[115] Ibid. See Carl Osthaus, *Freemen, Philanthropy, and Fraud: A History of the Freedman's Savings Bank* (Urbana, IL: University of Chicago Press, 1974).

of Newberry, South Carolina, they provided credit to farmers "purely on personal security or on collateral; liens or mortgages [were] not asked for or given."[117] Essentially, banks chose not to provide service to rural areas due to the increased expenses generated by assessing the risks of lending to small farmers. Economic historians Roger Ransom and Richard Sutch concluded that there was no evidence that rural banks "provided short-term credit to small farmers unable to offer land or other assets as collateral."[118]

While the postbellum period witnessed a gradual increase in the number of national, state-chartered, and private banks, such banks were unable to meet the credit needs of the predominantly small-scale agricultural economy of the South, particularly the millions of ex-slaves without any assets. The effect was that bank credit in the South was "inadequate," resulting in the development and reliance upon other, more costly forms of credit.[119] The roots of predatory lending are embedded in the soil of the economic and financial institutions that emerged in the postbellum era.

As the South struggled to rebuild from the ashes of the Civil War, the merchant rapidly became “the most important economic power in the Southern countryside.”[120] A merchant would run a general store that offered a wide variety of goods for sale ranging

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[116] Ransom & Sutch, *One Kind of Freedom*, 110-11, 113.

[117] Ibid., 114.

[118] Ibid., 116.

[119] Charles S. Johnson et al., *The Collapse of Cotton Tenancy: Summary of Field Studies & Statistical Surveys* (Chapel Hill, NC: University of North Carolina Press, 1935), 26.

[120] Harold D. Woodman, *King Cotton & His Retainers: Financing and Marketing the Cotton Crop of the South, 1800-1925* (Lexington, KY: University of Kentucky Press, 1968), 296.

from basic food and clothing staples to luxury items such as whiskey and tobacco.[121] By the end of the nineteenth-century, the South had 150,653 general stores, or about 144 per county.[122] Thomas Clark adeptly described the importance of the ubiquitous merchant as:

> [A]ll things to his community . . . . His store was the hub of the local universe. It was the market place, banking and credit source, recreational center, public forum, and news exchange. There were few aspects of farm life in the South after 1870 which were not influenced by the country store.[123]

However, the key to the merchant's power did not reside in his sale of goods or his influence on rural culture, but rather in his territorial and monopolistic control over credit.[124] With financial institutions unwilling or unable to provide short-term credit, the merchant rapidly filled this decisive financial vacuum. Indeed, with few people able to pay with cash, the merchant almost exclusively operated with credit. For example, one store had cash sales of $21.35 in the month of June 1874 with credit advances in the amount of $1,191.46.[125] More importantly, the merchant's use of credit played a pivotal role in limiting the ability of African Americans to achieve land ownership and accumulate wealth. In many ways, the merchant represented the origin of racial predatory lending.

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[121] Ransom & Sutch, *One Kind of Freedom*, 122-23.

[122] Edward Ayers, *The Promise of the New South* (New York: Oxford University Press, 1992), 81.

[123] Thomas Clark, *Pills, Petticoats and Plows: The Southern Country Store* (New York: The Bobbs-Merrill Company, 1944), vii-viii, quoted in Ransom & Sutch, *One Kind of Freedom*, 126.

[124] Ransom & Sutch, *One Kind of Freedom*, 126-27.

[125] Glenn N. Sisk, "Rural Merchandising in the Alabama Black Belt, 1875-1917," *Journal of Farm Economics* 37 (1955): 710.

As southern African Americans sought to define their freedom in the tenancy relationship, they were without assets sufficient to commence small-scale agricultural endeavors. Invariably, African Americans were "furnished" by the landlord or the merchant with basic food necessities, farming equipment, and the supplies necessary to plant a crop.[126] Since farmers rarely had cash to pay for such items, the merchant advanced the goods on a fixed credit "limit" established at the beginning of each season.[127] While African American farmers occasionally arranged for the advance themselves, an advance was typically arranged by the landlord and he allowed the tenants to charge advances known as "orders" to his personal account.[128] The farmer was able to draw upon the advance up to his limit throughout the course of the year.[129] Furthermore, the advance limit could be increased during the course of the year, particularly when it appeared that a good crop was likely.[130] The annual advance generally ranged from forty dollars to eight hundred dollars, with the typical amount being around two hundred and fifty dollars.[131] In effect, the advance acted as a short-term credit transaction.

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[126] Wright, *Old South, New South*, 97.

[127] Raper, *Preface to Peasantry*, 176.

[128] Sisk, "Rural Merchandising in the Alabama Black Belt," 710.

[129] Ibid., 707-08.

[130] Thomas D. Clark, "The Furnishing and Supply System in Southern Agriculture Since 1865," *Journal of Southern History* 12 (1946): 31.

[131] Sisk, "Rural Merchandising in the Alabama Black Belt," 707.

The merchant was able to utilize his control over credit in a predatory manner through several avenues. First, the merchant maintained a two-tiered pricing system with one price for goods purchased with cash and a second price for goods purchased with credit. The price differentials were concealed by a secret code system and, not surprisingly, the credit price was substantially higher than the cash price, often by at least 25 percent.[132] One study compared the cash and credit prices of eleven staple articles and determined that the average credit price was 55.3 percent higher than the cash price (the price differential ranged from a minimum of 33.6 percent to maximum of 89.6 percent).[133]

Second, some merchants established an additional interest rate for goods purchased on credit. The exact interest rate was determined by evaluating a number of factors designed to assess the risk and measure the cost of the loan, including: the creditworthiness of the borrower, the costs associated with processing the loan, and the degree of supervision required to ensure a return on the merchant's investment.[134] Typically, an additional interest rate charge of 8 to 15 percent was added to the price of the advance.[135] Finally, it was not unusual for a merchant to add an additional interest rate charge of two to five dollars on smaller accounts ranging from ten to twenty-five dollars.[136]

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[132] Clark, "The Furnishing and Supply System in Southern Agriculture," 28.

[133] Jacqueline Bull, "The General Merchant in the Economic History of the New South," *Journal of Southern History* 18(1952): 49.

[134] Ransom & Sutch, *One Kind of Freedom*, 130-31.

[135] Sisk, "Rural Merchandising in the Alabama Black Belt," 708; Clark, "The Furnishing and Supply System in Southern Agriculture," 30-31.

[136] Clark, "The Furnishing and Supply System in Southern Agriculture," 31.

Overall, the credit price or the combination of a credit price and an additional interest rate charge resulted in a total effective interest rate ranging "from twenty-five percent to grand larceny."[137] One commentator reported that "the cotton farmer has to pay the usurious percentage charged by his merchant broker, who is never less than thirty per cent, and frequently runs up to seventy per cent."[138] Ransom and Sutch demonstrated that the total interest rates charged by merchants in Georgia between 1881 to 1889 ranged from a low of 44.2 percent to a high of 74.6 percent, confirming such an estimate.[139] In contrast, the short-term interest rates in New York City at this time ranged from 4 to 6 percent, and never above 8 percent.[140]

Further, the degree of the "mark-up" and the interest rate was not controlled by any type of universal system, but rather dictated solely by "personal factors known only to the merchant."[141] Since creditors were nearly all white, subjective determinations of creditworthiness were undoubtedly tainted with racism. Indeed, African Americans were looked upon with great disdain by white planters, as "the negro renters' foot [was] poison to the land."[142] The notion of black inferiority was evident in the comments of Georgian R.P. Brooks, who stated, "The mass of the race are wholly unfit for independence. . . . [Planters]

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[137] Bull, "The General Merchant in the Economic History of the New South," 47.

[138] Henry W. Grady, "Cotton and Its Kingdom," *Harper's New Monthly Magazine,* Oct. 1881, 723, quoted in Ransom & Sutch, *One Kind of Freedom,* 128.

[139] Ibid., 129.

[140] Ibid.

[141] Ibid., 28.

[142] Wright, *Old South, New South*, 100-01.

know that skill, industry, knowledge, and frugality are essential to successful farming, and they know that negroes in general lack these qualities."[143] In fact, many whites were convinced that African Americans could only be made to work if they remained in debt.[144] Such racism invariably infected the local credit market, requiring blacks to demonstrate an "extra measure of proof" to gain creditworthiness.[145] In short, the merchant's predatory use of credit operated to impede African American property ownership by limiting their ability to accumulate the wealth, due to exorbitant interest rates and credit prices, necessary to purchase land.

The entire merchant system of finance was dependent upon the legal instrument of the crop lien. Following the Civil War, it became readily apparent that a new source of security was necessary in order to encourage lending activity. In response, legislators throughout the South passed crop lien laws in an effort to reestablish a credit system for the region's agricultural economy.[146] Since a tenant did not own any land or assets to act as collateral, he could provide a landlord or merchant with a lien upon his future crop "to secure advances for agricultural purposes."[147] Under a typical crop lien, a tenant pledged "the entire crop of corn, cotton, cotton seed, fodder, peas and potatoes, which may be made

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[143] Ibid.

[144] Hortense Powdermaker, *After Freedom: A Cultural Study in the Deep South* (New York: Viking Press, 1939), 88.

[145] Wright, *Old South, New South*, 100.

[146] Woodman, *New South-New Law*, 5-6.

[147] Ibid., 6.

and grown on the plantation . . . , or any other place which I . . . (my) family and my hands are cultivating during the present year."[148] The crop lien provided the merchant with the legal right to all the crops produced by the farmer necessary to satisfy the advance. Furthermore, since the merchant had legal control of the crops from the time of planting, he could claim and sell the crop at any time if he believed his interest was at risk.[149]

In addition to the crop lien laws, a number of Southern states also passed laborers' lien laws to ensure that the agricultural workers received payment for their services.[150] For example, Georgia provided for "liens upon the property of their employers for labor performed" by agricultural workers.[151] A number of the initial crop and laborers' lien laws, however, did not address the issue of priority among potentially competing liens on a given crop. It was possible that a crop could be subject to four separate liens, including: a landlord's lien for rent; a landlord's lien for an advance; a merchant's lien for an advance; and a laborers' lien for wages.[152]

To address such a problem, the Southern states gradually amended their various lien laws to establish clear distinctions among lien priorities. While there was substantial variation among the Southern states, landlords and merchants were accorded clear priority

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148 Sisk, *Rural Merchandising in the Alabama Black Belt*, 708.

149 Ibid.

150 Woodman, *New South-New Law*, 78.

151 Georgia Constitution of 1868, art. I, § 30, quoted in Woodman, *New South-New Law*, 78.

152 Ibid., 32.

for rent and advances over sharecroppers' liens for wages based upon labor.[153] In 1872, the Georgia Supreme Court elaborated upon the "obvious distinction between a cropper and a tenant":

> One has a possession of the premises exclusive of the landlord, the other has not. The one has a right for a fixed time, the other has only a right to go on the land to plant, work and gather the crop . . . . The case of the cropper is rather a mode of paying wages than a tenancy. The title to the crop subject to wages is in the owner of the land.[154]

In other words, while the share tenant retained legal title to the proceeds of his crop subject to any liens, the sharecropper retained only a laborer's lien against the landowner for his portion of the crop constituting his wages. The right of ownership of the crop remained with the landowner.[155] If the crops fell short, the landlords' and merchants' liens were paid first ahead of any laborers' liens. If a cropper remained unpaid after the other liens were satisfied, his only recourse was to sue his employer under the laborer's lien.[156] As Gavin Wright explained, the effect of such was "to transfer financial risk to the croppers, making it all the more difficult for them to accumulate the assets needed to climb the tenure ladders."[157]

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[153] Wright, *Old South, New South*, 102.

[154] *Appling v. Odom*, 46 Ga. 583 (1872). A Tennessee court rendered a similar distinction in *Mann v. Taylor*, 52 Tenn. 267 (1871), explaining that "an agreement on the part of one who is to do the labor, to take charge of and manage the land on shares, is not regarded as a lease but more in the nature of payment for services rendered, by a part of the crops raised."

[155] Woodman, *New South-New Law*, 82.

[156] Ibid.

[157] Wright, *Old South, New South*, 102.

In addition to the crop lien laws, a landlord or merchant could also provide an advance or loan and obtain a "general lien on the property of the debtor" as collateral.[158] In such transactions, historian Sharon Holt's examination of county mortgage and lien records in North Carolina demonstrated that merchant creditors demanded excessive collateral from blacks in comparison to white farmers.[159] For example, in 1886, Thomas Clement, a major merchant in Granville County, North Carolina, made a loan to an African American in the amount of fifteen dollars that was secured by a one horse wagon and his crop of tobacco.[160] In contrast, Clement loaned nineteen dollars to a white man that was secured only by a buggy and harness set.[161] Finally, since few farmers had any cash, nearly all were forced into similar credit transactions.

The effect of the crop liens and the general property liens was to provide the landlord or merchant with an additional mechanism of control over the agricultural labor force.[162] Perhaps the exercise of such control was best manifest in the merchant or landlord's insistence that the farmer produce cotton in order to ensure his investment as opposed to food products.[163] The effect of such cotton production was to create a vicious

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[158] Woodman, *New South-New Law*, 39.

[159] Sharon Holt, *Making Freedom Pay: North Carolina Freedpeople Working for Themselves 1865-1900* (Athens, GA: University of Georgia Press, 2000), 26.

[160] Ibid.

[161] Ibid.

[162] Woodman, *New South-New Law*, 93.

[163] Steven Hahn, *The Roots of Southern Populism: Yeoman Farmers and the Transformation of the Georgia Upcountry, 1855-1890* (New York: Oxford University Press, 1983), 182.

cycle, as historian Steven Hahn explained: “The acquisition of credit demanded an expansion of cotton production, an expansion of cotton production meant proportionately shorter food crops, and shorter food crops set the farmer back to the merchant’s door for provisions.”[164] As cotton prices declined throughout the late nineteenth-century, tenants increasingly became ensnared in a system of credit and crop liens from which there was little chance of escape.[165]

While both whites and African Americans were subject to the predatory nature of the provision of credit, the system undoubtedly had a harsher impact upon African Americans due to efforts to maintain African Americans in a position of economic inferiority central to the continued maintenance of white hegemony in the South. As Ransom and Sutch explained:

> Racism in the capital markets meant that black farmers had less capital, smaller farms, and fewer acres of untilled land than whites. This meant that the typical black farmer was more dependent upon purchased supplies than his white counterpart and was thereby more susceptible to exploitation by the merchant's credit monopoly.[166]

The combination of a malignant credit system and white racism had a devastating effect upon African Americans which related them to continued poverty. The full extent of its impact was often felt at “settlin time” or “the moment of truth.”[167]

The tenant generally harvested the crops in the fall with accounts settled during the months of October, November and December.[168] Since the landlord or the merchant had

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164 Ibid., 185.

165 Ibid., 186.

166 Ransom & Sutch, *One Kind of Freedom*, 185.

167 Litwack, *Trouble in Mind*, 131.

legal title to the crop by virtue of the crop lien, the tenant was required to turn his portion of the crop over to the landlord or the merchant who proceeded to sell the crop.[169] At settlement time, the tenant was told the amount that the cotton sold for on the open market. The merchant or landlord proceeded to add the total of the advance based upon the total purchase made during the course of the year and entered an interest charge against the total account.[170] The total was then deducted from the sale proceeds to determine whether there was a profit or a loss for the year.

At settlement time, tenants were often not given any sales receipts or itemized statements regarding their yearly advances.[171] Henry Blacke, an African American sharecropper, recalled, "[N]o matter how good accounts you kept, you had to go by [white landowners'] account, and – now brother, I'm telling you the truth about this – it has been that way a long time."[172] Furthermore, since the records were maintained by the merchants and many of the freed people were illiterate and inexperienced with business transactions, they were often cheated out of the rewards of their labor.[173] Indeed, as one Freedman

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[168] Clark, "The Furnishing and Supply System in Southern Agriculture," 31.

[169] Sisk, "Rural Merchandising in the Alabama Black Belt," 710.

[170] Clark, "The Furnishing and Supply System in Southern Agriculture," 31.

[171] Powdermaker, *After Freedom*, 84.

[172] Steven Mintz, ed., *African American Voices: The Life Cycle of Slavery*, 166, 170 (New York: Brandywine Press, 1993), quoted in James Horton & Lois Horton, *Slavery and the Making of America* (New York: Oxford University Press, 2005), 215.

[173] Hahn, *The Roots Of Southern Populism*, 174. In 1880, nearly 83 percent of African American farm renters and nearly seventy-seven percent of African American farm sharecroppers were illiterate in the Cotton South. Ransom & Sutch, *One Kind of Freedom*, 80.

Bureau official recalled, white "men who are honorable in their dealings with their white neighbors will cheat a Negro without feeling a single twinge of their honor."[174] The practice of cheating African Americans at settlement time was apparently widespread. Benjamin Mays, a noted educator and minister, polled 118 African Americans in rural South Carolina; 101 responded that they were "cheated badly by their white 'bosses.'"[175]

Without access to the records and with no economic or political power, blacks were left with little recourse to challenge the numbers at settlement. One African American sharecropper in Arkansas explained that when he attempted to challenge the accounting, he was simply informed that "figures didn't lie."[176] Furthermore, the mere act of challenging a white man's word was dangerous: "You dassent dispute a [white] man's word then."[177] Indeed, in Promised Land, South Carolina, a black farmer was lynched for arguing with a white store owner about the price offered for his corn.[178] A Mississippi sharecropper succinctly explained the dilemma faced by African Americans:

> I have been living in this Delta thirty years and I know that I have been robbed every year; but there is no use jumping out of the frying pan into the

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174 Horton & Horton, *Slavery and the Making of America*, 215.

175 Benjamin Mays, *Born To Rebel: An Autobiography* (New York: Scribner, 1971), 6, quoted in Litwack, *Trouble In Mind*, 512n36.

176 Horton & Horton, *Slavery and the Making of America*, 215.

177 Ibid.

178 Elizabeth Rauh Bethel, *Promiseland: A Century of Life in a Negro Community* (Philadelphia: Temple University Press, 1981), 223-25.

> fire. If we ask any questions we are cussed, and if we raise up we are shot, and that ends it.[179]

Thus, Southern black sharecroppers opted to take a vow of silence—to save themselves from retaliatory violence, they kept quiet about their injustices.

Since the value of the crops often was less than the advances, African Americans often submerged deeper into debt with each year, unable to acquire the monies or assets necessary to achieve land ownership. A study of black tenant farmers in Macon County, Alabama in 1932 demonstrated that 61.7 percent "broke even," 26.0 percent "went in the hole," and 9.4 percent made a profit.[180] A similar study in Indianola, Mississippi in 1932 found that 17 to 18 percent of the tenants made a profit, averaging from $30 to $150, while the remainder either broke even or were left in debt.[181] One tenant described his settlement as follows:

> We had 60 acres last year and paid $200 for rent and made 13 bales of cotton and turned hit all over. [This should have netted $400 at 10 cents a pound.] The thing about hit, we ain't had no settlement. All we got last year was $51 in trade, they claimed. I ain't nothing like satisfied. I was settin' there at diner looking at the house and the condition. I was settin' under the tree there last night studyin' 'bout the same thing. Me and my wife ain't had a string of nothing ter wear in two years.[182]

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[179] Laurence C. Jones, *The Bottom Rail: Addresses and Papers on the Negro in the Lowlands of Mississippi and on Inter-Racial Relations in the South During Twenty-Five Years* (New York: Fleming H. Revell Company, 1935), 26, quoted in Litwack, *Trouble in Mind*, 132.

[180] Charles S. Johnson, *Shadow of the Plantation* (Chicago: University of Chicago Press, 1934), 124.

[181] Powdermaker, *After Freedom*, 86-87.

[182] Johnson, *Shadow Of The Plantation*, 120.

Such economic hardship was visited by thousands of African Americans each year. Manda Walker explained a tale that was likely familiar to many: "After de last bale was sold . . . him come home wid de same sick smile and de same sad tale: 'Well, Mandy, as usual, I settled up and it was "Naught is naught and figger is a figger, all for de white man and none for de nigger."'"[183]

African Americans And Landownership

In spite of innumerable obstacles, African Americans were able to accomplish land ownership in relatively surprising numbers in the South. The process to accomplish land ownership was not uniform and was subject to wide variations depending on geography, crop culture, demography, economic cycles, local culture, and politics. Nevertheless, it usually required two central elements: protracted and, often, Herculean efforts by African American households and the toleration and participation of white people.[184]

Historian Sharon Holt, in a study of Granville County, North Carolina, examined the toils and sacrifices of African Americans seeking to achieve land acquisition. With the opportunity to accumulate wealth severely circumscribed in the sharecropping system, blacks resorted to additional income-producing activities as a means to accumulate the capital necessary for the purchase of land.[185] The crucial "escape clause"

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[183] George Rawick, ed., *The American Slave: A Composite Autobiography*, 173, quoted in Litwack, *Trouble in Mind*, 131.

[184] Steven Hahn, *A Nation Under Our Feet: Black Political Struggles in the Rural South from Slavery to the Great Migration* (Cambridge, MA: Belknap Press of the Harvard University Press, 2003), 458.

[185] Holt, *Making Freedom Pay* 2-3.

was household production.[186] Unlike tenancy where any income was potentially subject to liens and credit charges, any income generated by household production was discretionary. Of equal importance, few landlords recognized that such production allowed for the generation of surpluses and, thus, it was unlikely to draw attention and possible hostile responses from whites.[187]

In order to succeed, household production demanded several key elements, including the following: full family participation, control over the labor of women and children, and utilization of the after-hours and off-season labor of adult males.[188] Household production consisted of any number of income producing activities such as basket weaving, sewing dresses or quilts, growing fruits and vegetables, foraging for berries, hunting for fish and game, wood cutting or hauling, and performing other odd jobs.[189] Also, all members of the household and even extended family members—young and old, male and female—were able to contribute to production capacity.

With the surpluses of household production, African American families followed a gradual pattern of property accumulation that culminated in land ownership. Typically, property that accentuated household production was acquired, such as livestock and personal property, to serve as wealth-producing building blocks. Usually, African

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[186] Ibid.

[187] Ibid., 3.

[188] Ibid., 15-16.

[189] Ibid., 6-7.

American families first sought to acquire poultry and pigs followed by cows.[190] Such acquisitions generated income through the household economy by the sale of eggs, butter, milk, cheese, and pork. The key acquisition prior to land ownership was often a horse or a mule.[191] The ownership of such a draft animal could often propel a family up the agricultural ladder from sharecropping to renting and thus enhancing the possibility of turning a profit with farming.[192]

The travails of the Trotter' family is illustrative of the difficult process of land acquisition as well as the key role of household production. In Natchitoches Parish, Louisiana, Daniel and Rose Trotter, with the assistance of numerous relatives, labored for fifteen years as renters on five different plantations in an effort to save $700 for a down payment to purchase some land.[193] In addition to farming, both Daniel and Rose Trotter performed other odd jobs in an effort to save money for a down payment, including: selling eggs, raising and selling pigs, sewing dresses and jeans, "fixing miller

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[190] Ibid., 64-65. A dozen chickens could lay approximately twenty dozen eggs in a year and one cow's milk could produce thirty to fifty pounds of butter a year. A healthy cow was worth approximately eight to ten dollars, a heifer was worth approximately five dollars and a calf about one to two dollars (ibid.).

[191] Ibid., 65-66. An old mule was worth about ten dollars and a good one could cost as much as forty dollars with horses costing forty dollars and up. Due to the high cost, it was not unheard of for African American families to share the use of a horse or a mule on several farms (ibid.).

[192] Ibid.

[193] Hahn, *A Nation Under Our Feet*, 458.

machinery," "fixing water clock," and fixing guns.[194] The Trotters' many years of toil was rewarded in 1900 when they were finally able to purchase thirty-five acres of land.[195]

While certain market conditions, such as low land prices and wartime deaths were favorable for buyers,[196] whites generally sought to prevent the sale of land to potential African American purchasers through the use of a wide range of repressive tactics.[197] In addition to social pressures and threats, foremost among such tactics was violence against any white seller and African American purchaser.[198] Such a tactic was particularly strong in the Deep South, where a witness recalled:

> As a general rule a man is very unpopular with his neighbors who will sell land to colored people; and then a colored man is in danger if he buys land. In Winston County [Mississippi] a dozen men were whipped, and the only charge against them was that they bought land.[199]

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[194] Ayers, *The Promise of the New South*, 15. Trotter's literacy may have also assisted him in his efforts to purchase land as he maintained a meticulous cashbook, where, in exacting detail, he recorded the family's household production and farming incomes. Hahn, *A Nation Under Our Feet*, 459. The Trotters also belonged to the St. Mary's Baptist Church and were active in the church's benevolent association (ibid).

[195] Hahn, *A Nation Under Our Feet*, 458.

[196] Schweninger, *Black Property Owners in the South*, 148, 151-52. Following the American Civil War, farm land was selling for $2.00 to $8.00 per acre, where previously the same land had sold for $15.00 to $25.00 per acre (ibid., 148).

[197] See ibid., 151-52 (referencing the practice of white landowners signing agreements not to hire a neighbors sharecroppers, as well as offering only "subsistence wages, refus[ing] to sell or rent acreage to blacks, and adopt[ing] nonemployment agreements for any former slave who left his former owner.").

[198] Ransom & Sutch, *One Kind of Freedom*, 86-87.

[199] Testimony of Cornelius McBride, schoolteacher, 42nd Cong., 2d sess., 1872, H.R. Rep. No. 22-42, pt. 2, 335, quoted in Ransom & Sutch, *One Kind of Freedom*, 87.

Even if a black had the necessary resources to purchase land, a second requirement to consummate the purchase was necessary: a white supporter.[200]

According to Arthur Raper, a noted sociologist, a potential purchaser had to be "acceptable to the white community" and "have a white sponsor."[201] In other words, he must know "his place" and remain in it despite his ownership of land.[202] In Greene and Macon counties in Georgia, approximately three-quarters of African American landowners who held greater than twenty-five acres purchased their land after initially being approached by a white seller who had advised them to buy the land and, as well as who even offered to assist them in the purchase; 90 percent of African American landowners actually purchased their land from white landowners.[203] Approximately 60 percent of African Americans in Green and Macon counties bought land from former landlords, and a number of others purchased from persons with whom they had previously conducted business.[204] While blacks were certainly successful in purchasing land without white patronage, it often proved an invaluable facet of an intensely personal business transaction.[205]

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[200] Hahn, *A Nation Under Our Feet*, 458.

[201] Raper, *Preface to Peasantry*, 122.

[202] Ibid.

[203] Ibid.

[204] Ibid., 122-23.

[205] Ibid., 124 ("[T]he active interest and oversight of some white man protect[ed] the Negro purchaser.").

In the context of such a foreboding environment, African Americans made steady, albeit slow, progress in entering the ranks of landownership. By 1870, one in thirty-one African Americans owned real estate in the rural areas of the lower South—Georgia, Alabama, Mississippi, South Carolina, Florida, Louisiana, Texas and Arkansas—with an average value of $544 per family.[206] Similarly, in an extensive study of land ownership in Georgia based upon reports of the state comptroller general, W.E.B. Du Bois determined that in 1874 African Americans owned 338,769 acres of land, or 1.0 percent of owned land.[207] By 1880, African Americans land ownership had increased to 586,660 acres or 1.6 percent.[208]

In areas of the Upper South — Delaware and portions of Maryland and Virginia — the number of rural African American landowners declined in spite of major increases in the overall African American population.[209] In Virginia, by 1870, only one out of thirty-four

[206] Schweninger, *Black Property Owners in the South*, 146 table 9. The immediate growth of African American realty owners in the Lower South following the Civil War may be measured by comparing 1860 to 1870. The number of real estate owners in Alabama rose from 142 to 2,417; in Arkansas from 4 to 1,548; in Florida from 62 to 1,170; in Georgia from 116 to 3,729; in Louisiana from 1,262 to 3,250; in Mississippi from 35 to 2,875; in South Carolina from 680 to 3,977; and in Texas from 18 to 1,508 (ibid., 148 table 10).

[207] W.E.B. Du Bois, *The Negro Landholder in Georgia*, 57th Cong., 2d Sess., 1901, H.R. DOC. NO. 56-315 647, 665., quoted in Ransom & Sutch, *One Kind of Freedom*, 83-84.

[208] Ibid.

[209] Schweninger, *Black Property Owners in the South*, 152. The population of African Americans in rural areas of Maryland increased “from 56,000 in 1860 to 130,657, and in Virginia from 48,000 to 451,108.” (ibid). The number of African American landowners in rural areas in Delaware declined “from 522 in 1860 to 439 in 1870, in Dorchester and Harford counties, Maryland, from 642 to approximately 350, and

rural African American families owned real estate. In general, however, African Americans were slightly more successful throughout the Upper South with one out of sixteen families owning land by 1870. Overall, in the Upper South, one African American family out of twenty-one owned land worth an average of $625.[210]

In the urban areas in the South, African Americans encountered economic circumstances that were more favorable to homeownership. Unlike African Americans in the rural areas of the South, those in the cities usually earned direct wages that were not subject to the decimating impact of high interest rates and crop liens. Furthermore, with many areas of the urban South in ruins following the Civil War, there was a strong and rising demand for skilled and unskilled labor.[211] Finally, urban whites were less reluctant to sell property to blacks as it was not essential to the hegemonic system of control in such areas.[212] The confluence of such factors resulted in one in nine African Americans families in the cities and towns of the Lower South acquiring real estate by 1870, with an average

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in Prince George, Southampton, and Surry counties, Virginia, from 76 to fewer than a dozen." (ibid.).

[210] Ibid., 153 table 12. The immediate growth of African American realty owners in the Upper South following the Civil War may be measured by comparing 1860 to 1870. The number of real estate owners in Delaware rose from 662 to 755; in the District of Columbia from 531 to 1,043; in Kentucky from 605 to 4,818; in Maryland from 2,332 to 3,333; in Missouri from 196 to 2,419; in North Carolina from 1,055 to 3,421; in Tennessee from 271 to 3,039; and in Virginia from 1,669 to 3,966. (ibid., 158 table 14).

[211] Ibid., 147, 155.

[212] See ibid., 147 ("Property values generally remained below prewar levels, but unlike their counterparts in rural areas, urban whites, in need of capital and less fearful of blacks, were often anxious to sell them property.").

value of $1,229 per owner.[213] Likewise, in cities of the Upper South, African Americans homeownership rose markedly from 1860 to 1870.[214]

Overall, by 1870, approximately 4.8 percent of the 900,000 African American families in the South owned real estate; factoring in those who did not own property, the average African American family owned a total of $36.00.[215] In contrast, approximately 43 percent of white men in the United States owned real estate; taking into account the property-less, the average white male owned $1,782.00.[216] In terms of total wealth accumulation, the average African American had a net worth of $76.00, whereas the average white southerner had accumulated wealth in the amount of $2,034.[217]

Over the next forty years, African Americans made significant gains in land ownership throughout the South. By 1910, approximately 19 percent—or about one in five—African American farmers had become land owners in the Lower South, with an average value of $1,253 per owner.[218] Likewise, in urban areas in the Lower South, nearly one in five African Americans had entered the ranks of homeownership. In the Upper South, black farmers were even more successful with 44 percent entering the ranks of land

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[213] Ibid., 147-48.

[214] Ibid., 154. In Baltimore, the number of African Americans who owned real estate increased from "169 [in 1860] to approximately 435 [in 1870]; in the District of Columbia, from 497 to 1,019; in Lexington, from 44 to 671; and in Wilmington, North Carolina, from 42 to 408." (ibid., 154-55).

[215] Ibid., 160.

[216] Ibid.

[217] Ibid., 161.

[218] Ibid., 164 table 16, 166.

ownership with an average value of $1,058 per farm owner.[219] Nowhere was their success more pronounced than in Virginia, where African American farm ownership increased a stunning 3,641 percent in forty years, from 1 percent in 1870 to 67 percent in 1910.[220] In the urban areas of the Upper South, the homeownership rate for African Americans continued to rise and reached 24 percent by 1910. Overall, throughout the South, by 1910, African American land ownership in rural areas was 21 percent.[221]

Despite such progress, a significant wealth and land ownership gap remained between African Americans and whites. The mean value of the southern whites' farm property, including livestock, was $2,140 in 1900 and $3,911 in 1910.[222] In contrast, the African American mean value was $779 in 1900 and $1,588 in 1910.[223] Furthermore, the overall rate of farm ownership for whites was 65 percent in 1890, although dropping to 60 percent in 1910, in contrast to rates for African Americans of 21 percent in 1890 and 24 percent in 1910.[224]

However, 1910 represented the zenith of African American rural land ownership in the South. In subsequent decades, the number of black land owners began to rapidly decline driven by a confluence of factors, including the cotton boll weevil infestation, a sharp drop

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219 Ibid., 174 table 18, 175.

220 Ibid., 173-75.

221 Ibid., 180 table 19.

222 Ibid., 183.

223 Ibid.

224 Ibid.

in the price of cotton, and the post-World War I economic depression.[225] Historians August Meier and Elliott Rudwick concluded that African Americans lost on average 350,000 acres of land each year during this time period.[226] Ultimately, the entire sharecropping system of labor was rendered "obsolete" with the introduction of the mechanical cotton picker in the 1940s.[227] As the dream of land ownership became increasingly elusive in the South, African Americans began to see a new possible window of opportunity in the North.

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[225] Myrdal, *An American Dilemma*, 238; Nicholas Lemann, *The Promised Land: The Great Black Migration and How It Changed America* (New York: A. A. Knopf, 1992), 15. See also Leo McGee & Robert Boone, eds., *Black Rural Landowner – Endangered Species: Social, Political and Economic Implications* (Westport, CT: Greenwood Press, 1979). Cf. Mark Schultz, "The Dream Realized? African American Landownership in Central Georgia Between Reconstruction and World War Two," *Agricultural History* 72 (1998): 298-312 (arguing that African American landowners chose to sell and migrate in order to optimize their economic progress in the face of such difficult agricultural conditions).

[226] August Meier & Elliott Rudwick, *From Plantation to Ghetto* (New York: Hill & Wang, 1970), quoted in Conley, *Being Black, Living in the Red*, 36.

[227] Lemann, *The Promised Land*, 4, 5.

CHAPTER 3

THE GREAT MIGRATION AND AFRICAN AMERICAN HOMEOWNERSHIP IN PHILADELPHIA, 1916-1930

Overview Of The Great Migration

At the beginning of the twentieth century, the majority of African Americans resided in the South, trapped in a system of debt peonage driven by predatory lending and crop liens that deprived them of the ability to accumulate assets. Intent on escaping such hardships, blacks increasingly viewed the North as the Promised Land.[228] The Great Migration, as it became known, was the largest migration in United States history, as millions of blacks left the rural South for the urban cities of the North, seeking to escape racial animosity that often manifested itself in brutal violence, and driven by the promise of economic opportunity.[229] From 1910 to 1920, 437,154 blacks migrated North; from 1920 to 1930, 707,827; from

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[228] See generally Peter Gottlieb, *Making Their Own Way: Southern Blacks' Migration to Pittsburgh*, 1916-1930 (Urbana, IL: University of Illinois Press, 1987); James Grossman, *Land of Hope: Chicago, Black Southerners, and the Great Migration* (Chicago: The University of Chicago Press, 1989); Ira Berlin, *The Making Of African America: The Four Great Migrations* (New York: Viking, 2010); Isabel Wilkerson, *The Warmth of Other Suns: The Epic Story of American's Great Migration* (New York: Random House, 2010).

[229] Bennett, *Before The Mayflower*, 344. Several scholars have argued that African American migration from the South was greatest where the threat of violence was highest. See generally Stewart Tolnay & E.M. Beck, *A Festival of Violence: An Analysis of Southern Lynchings*, 1882-1930 (Urbana, IL: University of Illinois Press, 1995). While many forms of violence were used to maintain white hegemony, the ultimate weapon in the arsenal was lynching. During the time period from 1880 to 1930, 3,344 African Americans were lynched throughout the United States, with an overwhelming majority concentrated in the South. W. Fitzhugh Brundage, *Lynching in the New South: Georgia and Virginia, 1880-1930* (Urbana, IL: University of Illinois Press, 1993), 8. Historian W. Fitzhugh Brundage has demonstrated that mob violence and lynchings occurred most frequently in the areas that contained large African American populations who worked as sharecroppers in economies dominated by cotton (ibid., 106). See also Arthur Raper, *The Tragedy of Lynching* (Chapel Hill, NC: University of North Carolina Press, 1933); Philip Dray, *At the Hands of Persons Unknown: The Lynching of Black America* (New York: Random House, 2002).

1930 to 1940, 437,339; and from 1940 to 1950, 1,447,229.[230] The exodus of blacks from the South to the North had profound economic, social, and political consequences throughout the Untied States.

The African American population rapidly expanded in the major urban cities of the North such as Chicago, New York, and Detroit. For example, Chicago's African American population grew from 44,000 in 1910, to 109,000 in 1920, to 234,000 in 1930.[231] Philadelphia, which historically had the largest urban African American population dating back to the colonial era, was a major destination for many of the migrants. In 1900, approximately 64,024 African Americans resided in Philadelphia comprising only 4.9 percent of the total population.[232] By 1910, the number had increased to 85,637 or 5.5 percent. Ten years later the black population had grown to 135,599 or 7.4 percent.[233] In the next twenty years, the African American population nearly doubled growing to 252,757 or 11.4 percent.[234] By 1950, the black population had reached 378,968, representing 18.3 percent of the total population.[235] In total the African American

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[230] James N. Gregory, "The Second Great Migration: A Historical Overview," in *African American Urban History Since World War II*, Kenneth L. Kusmer and Joe W. Trotter, ed. (Chicago, IL: University of Chicago Press, 2009), 21.

[231] Lemann, *The Promised Land*, 16.

[232] Philadelphia Housing Association, *Philadelphia's Negro Population: Facts on Housing* (Philadelphia, PA: City of Philadelphia Commission on Human Relations, October 1953), 5.

[233] Ibid.

[234] Ibid.

[235] Ibid.

population grew an astounding 492 percent in the first half of the century. In contrast, the white population during this period increased by only 38 percent from 1,129,673 to 1,692,637. In 1950, Philadelphia was the third largest city in the United States in both total population and black population, trailing only New York and Chicago.[236]

The African American Community In Philadelphia, 1681 To 1916

That tens of thousands of African Americans were drawn to Philadelphia is hardly surprising given the city's reputation as a beacon for liberty and freedom forged in the nation's struggle to achieve independence from the British Empire as well as its large, longstanding African American community. Just three years after the original Quakers founded Philadelphia in 1681, the first 150 Africans arrived in chains as slaves.[237] As Philadelphia grew as a center of commercial activity in the colonies, the demand for labor progressed in the years prior to the American Revolution. The demand was met with the importation of slaves from Africa and, by 1766, approximately 1,400 slaves labored in Philadelphia out of a total population of 18,600.[238]

Opposition to slavery, however, grew steadily during the late colonial era lead by the large population of Quakers and the development of a strong abolitionist movement in Philadelphia. As the revolutionary fervor, inspired by the lofty natural rights ideology, swept through the colonial Pennsylvania, increasing numbers of slaves were manumitted by

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[236] Ibid., 37.

[237] Gary B. Nash, *Forging Freedom: The Formation of Philadelphia's Black Community, 1720-1840* (Cambridge, MA: Harvard University Press, 1988), 8.

[238] Ibid., 33.

their masters and efforts to legislatively abolish slavery gathered momentum. The culmination of such efforts was the passage of the first abolition law in the newly formed America in 1780 that provided for a conservative gradual path to freedom for Pennsylvania's slaves.[239]

With the gradual abolition of slavery and the emergence of a new country predicated on principles of freedom and liberty, Philadelphia rapidly became the preferred destination for thousands of free blacks. By 1790, the combination of manumission of slaves in the city and the migration of former slaves from rural areas of Pennsylvania increased the free African American population in Philadelphia - fourfold in just seven years - to a total of approximately 2,000.[240] Just twenty years later, the African American population had expanded nearly five-fold to 9,656 in comparison to a white population of 82,221.[241] (See Table 1. African American Population of Philadelphia, 1790-1950). The following decade, the black population grew to 12,110 as migrants continued to arrive, some of whom were fugitives from slavery in the South. As the number of freed African Americans rose, making Philadelphia the home to the largest free black community in the United States, level of synergy emerged conducive to institution building activities such as churches, businesses, beneficial societies and, eventually financial institutions.

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[239] The law provided that any person who was a slave at the time of its passage was to remain a slave for the remainder of their life. Furthermore, every child born to a slave after March 1, 1780, the effective date of the abolition law, was subject to bondage for a period of twenty-eight years at the conclusion of which they obtained their freedom. Ibid., 63.

[240] Ibid., 72.

[241] Ibid., 143

Table 1. African American Population Of Philadelphia, 1790-1960

Year	Total Pop.	Black Pop.	Percent	Black Increase
1790	54,391	2,489	4.6	--
1800	81,009	6,880	8.4	176.4
1810	111,240	10,552	9.5	52.93
1820	135,637	11,891	8.8	13.00
1830	188,797	15,624	8.3	31.39
1840	258,037	19,833	7.4	27.07
1850	408,762	19,761	4.8	(0.36)
1860	565,529	22,185	3.9	12.26
1870	674,022	22,147	3.2	(0.17)
1880	847,170	31,699	3.7	43.13
1890	1,046,964	39,699	3.8	24.20
1900	1,293,697	62,613	4.8	60.4
1910	1,549,008	84,459	5.5	33.2
1920	1,823,779	134,224	7.4	58.9
1930	1,950,961	219,599	11.3	63.5
1940	1,931,334	252,757	13.1	13.6
1950	2,071,605	378,968	18.3	49.9
1960	2,002,512	529,240	26.4	28.4

Source: U.S. Census Reports, 1790-1960

Such efforts were spearheaded by the emergence of local African American leaders such as Absalom Jones and Richard Allen. Both were former slaves who bought their freedom by hiring out their labor and proceeded to become the foremost African American leaders in Philadelphia by leading the development of local community institutions. Together, Jones and Allen led the first effort to collectively organize the African American community was the Free African Society of Philadelphia, founded in April 1787 to care for the sick and poor.[242] The Society, however, rapidly assumed a broader role in the African American community as an advocate to improve the conditions of African Americans and as a religious organization holding church services.[243]

As the Free African Society developed religious underpinnings, Jones and Allen were increasingly determined to establish an independent African American church movement.[244] When the two men were unable to agree upon a single religious denomination, each established his own church. Allen left the Free African Society and

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[242] Richard R. Wright, Jr., *The Negro in Pennsylvania: A Study in Economic History* (Philadelphia: A.M.E. Book Concerns, 1912), 30-31.

[243] Nash, *Forging Freedom*, 109.

[244] A number of scholars have examined the importance of the African American church and the role of religion in the African American community. See generally E. Franklin Frazier, *The Negro Church in America* (New York: Schocken Books, 1966); James H. Cone, *A Black Theology of Liberation* (New York: Lippincott, 1970); Peter J. Paris, *The Social Teachings of the Black Churches* (Philadelphia, PA: Fortress Press, 1985); Clarence E. Walker, *A Rock in a Weary Land: The African Methodist Episcopal Church During the Civil War and Reconstruction* (Baton Rouge, LA: Louisiana State University Press, 1982). Recently, several prominent works have examined the role of women in the African American church movement. See Bettye Collier-Thomas, *Jesus, Jobs, and Justice: African American Women and Religion* (New York: Alfred A. Knopf, 2010); Evelyn Brooks Higginbotham, *Righteous Discontent: The Women's Movement in the Black Baptist Church, 1880-1920* (Cambridge, MA: Harvard University Press, 1993).

established the Bethel African Methodist Episcopal Church. In 1816, Allen's church and a number of other African American congregations formed the African Methodist Episcopal Church.[245] Writing decades later, W.E.B. Du Bois described the church as "the vastest and most remarkable product of American Negro civilization."[246] Jones became the first rector of the African Episcopal Church of St. Thomas and it later became formally affiliated with the Episcopal Church.[247] The efforts of Allen and Jones marked the beginning of a rich history of African American institution building in the City of Philadelphia.

Historian Gary Nash has explained that from 1800 to 1815, the African American community "embarked upon an ambitious program of building institutions that would facilitate the transition of recently freed slaves to a life of freedom and equip a new generation with literacy, job skills, religion, and moral rectitude."[248] One prominent area of institution building was entrepreneurial economic development. Remarkably, by 1816, one of every nine adult black males in Philadelphia operated some type of small business, and one of every fifteen engaged in a skilled craft.[249] Overall, 180 males and

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[245] Wright, *The Negro In Pennsylvania*, 37.

[246] W.E.B. Du Bois, *The Philadelphia Negro: A Social Study* (Boston: Ginn and Company, 1899), 21.

[247] Nash, *Forging Freedom*, 127-28.

[248] Ibid., 183-84.

[249] Ibid., 149-51.

16 women operated a business.[250] While the majority of African Americans worked as unskilled laborers for white employers, the emerging entrepreneurial class created a sphere of independence from the larger white community which in turned allowed for protest efforts, community building, and property accumulation.

Without fear of economic repercussions, a number of prominent African Americans were able to engage in abolitionist efforts and protest the discrimination frequently encountered by blacks in Philadelphia. For example, after serving valiantly in the Continental Navy during the American Revolution, James Forten worked for Robert Bridges, a white sail maker, in Philadelphia.[251] Upon Bridges' retirement, Forten took over the prosperous business, employing as many as thirty people. Forten used his economic success to become one of the first subscribers to William Lloyd Garrisons' famous abolitionist newspaper, *The Liberator*, pre-ordering twenty-seven subscriptions.[252] Amazingly, Garrison received Forten's check for the subscriptions on the same day the bill was due for the actual paper on which to print the first edition. Garrison always credited Forten for making *The Liberator* a reality with his timely contribution.[253] Forten, working closely with Jones and Allen, also petitioned the federal government to end slavery and the Fugitive Slave Act and, later, he petitioned the Pennsylvania legislature in response to discriminatory legislation that sough to stop the

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[250] Ibid., 152.

[251] Ibid., 149.

[252] Henry Mayer, *All On Fire: William Lloyd Garrison and the Abolition of Slavery* (New York: St. Martin's Press, 1998), 110.

[253] Ibid.

influx of African Americans into Pennsylvania.[254] In explaining the impact of such prominent entrepreneurs, Du Bois explained: "Such men wielded great personal influence, aided the Abolition cause to no little degree, and made Philadelphia noted for its cultivated and well-to-do Negro citizens. Their conspicuous success opened opportunities for Negroes in other lines."[255]

While Jones and Allen's churches were the most successful African American churches in Philadelphia, by 1837, an additional fourteen churches were established to service the expanding African American community. The African American churches rapidly became the center of life in Philadelphia, assuming important spiritual, educational, social, and economic responsibilities. For blacks, church affiliation was "a fundamental prerequisite to a decent and, indeed, bearable existence."[256] Given its all encompassing role, the church, more than any other institution, was responsible for the development of an emerging "black consciousness" by providing a place to worship, organize, and develop leadership outside of the confines of the white community.[257]

Following in the footsteps of the Free African Society, another prominent area of institutional building was in the emergence of numerous mutual aid and beneficial societies. In an often hostile racial environment, African Americans created such

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[254] Nash, *Forging Freedom*, 186, 275.

[255] Du Bois, *The Philadelphia Negro*, 35.

[256] Theodore Hershberg, "Free Blacks in Antebellum Philadelphia: A Study of Ex-Slaves, Freeborn, and Socioeconomic Decline," in Theodore Hershberg, ed., *Philadelphia: Work, Space, Family and Group Experience in the 19th Century* (New York: Oxford University Press, 1981), 378.

[257] Nash, *Forging Freedom*, 132.

societies to perform a wide range of social and economic functions, often with a focus on self-help efforts. Organized around some type of communal bond, by the 1830's, one hundred such societies existed in the African American community, encompassing 7,600 members or approximately 80 percent of the adult African American population.[258] By 1837, the societies were providing extensive private assistance to the needy by collecting $18,851 in annual dues and distributing $14,172.[259] As historian Bettye Collier-Thomas has demonstrated, two-thirds of the societies in Philadelphia were dominated by women, giving a gender dimension to institution building. For example, the Daughters of Africa was a mutual aid society of two hundred working-class women based in Philadelphia.[260] Such indigenous societies also provided leadership opportunities and represented a demonstration of African American agency through racial "uplift".[261]

In conjunction with protest efforts and the institution building, African Americans also sought to achieve property ownership. In order to afford to purchase a house, African Americans frequently rented out a portion of house to another family and by

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258 Collier-Thomas, *Jesus, Jobs, and Justice*, 37; Nash, *Forging Freedom*, 273.

259 Du Bois, *The Philadelphia Negro*, 222.

260 Collier-Thomas, *Jesus, Jobs, and Justice*, 38.

261 Historian Robert Gregg described the philosophy of "uplift" as the dominant ideology at the turn of the century in Philadelphia. According to Gregg, the concept held different meanings to different people largely dependent upon their class. Despite the ambiguity of the meaning of "uplift," it often embraced both accommodation and protest efforts by African Americans to challenge white hegemony. Robert Gregg, *Sparks From the Anvil of Oppression: Philadelphia's African Methodists and Southern Migrants, 1890-1940* (Philadelphia, PA: Temple University Press 1993), 3-5. See, Edward L. Wheeler, *Uplifting the Race: The Black Minister in the New South, 1865-1902* (New York: University Press of America, 1986).

building smaller structures in the rear of the property that were rented out for additional income.[262] Such efforts produced moderate success as according to the 1820 census, 229 out of 1,970 (11.6 percent) African American households owned property with a total value of $124,289.[263] Seventeen years later, a house-to-house survey conducted by the Abolition Society in 1837 determined that, of the 3,652 African American households listed, 282 (7.7 percent) owned real estate with a total value of $322,532, an average of $1,143 per parcel.[264] Such a property ownership rate was approximately 50 percent of white households.[265] Several years later, W.E.B. Du Bois, in his landmark sociological study *The Philadelphia Negro*, surveyed the housing conditions of African Americans in Philadelphia and determined that in 1848, 241 African Americans owned their homes.[266]

As the dark clouds of succession and war approached, Philadelphia was beginning a structural transformation from commercial shipping to industrialization. The changing nature of the economy increased the demand for unskilled labor that, in turn, resulted in large numbers of European immigrants arriving in Philadelphia. The intense competition for unskilled jobs between African Americans and European immigrants caused violent race riots in 1834, 1842, and 1849. The overall effect of such a dynamic was that

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[262] Nash, *Forging Freedom*, 163.

[263] Ibid., 214.

[264] Ibid., 248.

[265] Tom W. Smith, *The Dawn of the Urban Industrial Age: The Social Structure of Philadelphia*, *1790-1830*, (Ph.D. dissertation, University of Chicago, 1980), 151 table 60 (noting that white household property ownership rates in Philadelphia were 20.9 percent in 1820 and 15.7 percent in 1830).

[266] Du Bois, *The Philadelphia Negro*, 288.

economic opportunities were increasingly circumscribed and higher numbers of blacks entered the ranks of poverty. The sharp shift was directly reflected in a slight decrease in the overall African American population the 1850's. The promising social and economic conditions of African Americans that existed in the beginning of the century deteriorated as the rhetoric of freedom and liberty of the American Revolution faded and was replaced by a vicious strand of white racism. Nevertheless, on the eve of the Civil War, Philadelphia boasted a black community with a solid history of institution building, social protest, and wealth accumulation.

Following the Civil War, as the trends of industrialization and immigration continued in Philadelphia, the black community began to experience increasing migration from the South. After a slight population decrease in the 1860's, the African American population nearly tripled over the next thirty years. In 1890, the black population was 39,371 and, over the course of the next decade, it grew over 60 percent to 62,613. By the turn of the century, Philadelphia had the largest urban population of African Americans in the North.[267] While an estimated 40 percent of blacks were "poor," the expanding African American community was able to build upon the institutions created by the earlier generation.[268]

Both the African American churches and mutual aid societies continued to thrive in last half of the nineteenth century in Philadelphia. The independent black church movement had grown to over fifty-five churches with 12,845 members and $907,729 worth of

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[267] Du Bois, *The Philadelphia Negro*, 50

[268] Wright, *The Negro in Pennsylvania*, 159

property.[269] Du Bois also estimated that that there were several hundred mutual aid societies and nineteen lodges. In 1906, Wright reported at least 212 African American business enterprises were in operation and, in that year alone, eighteen companies were incorporated in Philadelphia.[270] Of such business enterprises, approximately 30 percent were between four to ten years old and another 30 percent were over ten years old. The longevity of such a large number of enterprises suggests that business development was significantly advanced in the African American community. Wright also astutely explained that the progression of institution building of the previous generation established the ground work for more complex and sophisticated business endeavors to emerge at the beginning of the twentieth century. As Wright explained, the culmination of the development cycle was the incorporated business that required significant capital and through organization, the oldest of which was the building and loan association.[271] By 1906, there were eight African American owned and operated building and loan associations in Philadelphia.

Just as in the proceeding decades, following his extensive review of Philadelphia, Du Bois concluded that the "center and kernel of the Negro problem…is the narrow opportunities afforded Negroes for earning a decent living." Du Bois' study of the Seventh Ward, determined that over 61.5 percent of African American males and 88.5 percent females were employed in domestic and personal services, primarily as unskilled laborers or

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[269] Du Bois, *The Philadelphia Negro*, 222.

[270] Ibid., 86-87.

[271] Wright, *The Negro in Pennsylvania*, 84-85.

menial servants.[272] Du Bois attributed the limited employment opportunities to three main factors: competition, industrialization, and racial discrimination. Despite such obstacles, a significant number of African Americans were able to achieve home ownership.

Richard R. Wright, Jr. in his survey of Pennsylvania determined that, as of 1907, there were 712 African Americans in Philadelphia paying taxes in the amount of $2,438,675 on 802 parcels of property with a value of approximately $5 million.[273] Wright also determined that the 485 African Americans, registered as home owners, were employed in a broad range of occupations, both skilled and unskilled. (Table 2. Occupation of African American Homeowners in Philadelphia, 1907). According to Wright, the majority of homeowners were employed in domestic and personal service. Given the fact that the majority of blacks were employed in domestic and personal service, it is hardly surprising that most black homeowners were employed in such a field. However, it does suggest that the ability to achieve homeownership was not necessarily proscribed by employment in low wage occupations. According to Wright, the ability to achieve homeownership required industry, thrift, and self-sacrifice. As he explained: "To save, out of the meager earnings, sufficient money with which to secure real property is, therefore, a sacrifice which only the best and most thoughtful undergo."[274] In other words, the dream of homeownership for African Americans was achievable in Philadelphia but just as in the South; it came at a significant price.

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[272] Du Bois, *The Philadelphia Negro*, 108-09.

[273] Wright, *The Negro in Pennsylvania*, 105.

[274] Ibid., 103.

Table 2. Occupation of African American Homeowners In Philadelphia, 1907

Occupation	Number	Percentage
Laborer	68	14.02
Caterers	38	7.83
Teamsters and Drivers	34	7.01
Waiters	32	6.60
Porters	27	5.57
Clerks	27	5.57
Dealers and Merchants	25	5.15
Janitors	17	3.50
Butlers	17	3.50
Clergyman	15	3.09
Barbers	14	2.89
Coachmen	13	2.68
Gardeners and Farmers	10	2.06
Physicians and Dentists	9	1.85
Messengers	7	1.44
Stewards	6	1.24

Source: Wright, Jr., *The Negro In Pennsylvania*, 106-07

Wright also determined that of the 485 homeowners, 343 (70.7 percent) were born outside of Pennsylvania and 336 (69.3 percent) were under the age of fifty.[275] Wright's statistics demonstrated that the majority of the homeowners had migrated to Philadelphia from the South, mainly from Virginia, Maryland and North Carolina. As the African American migrants moved North, they continued to identify property ownership as central to their conception of freedom to a much greater extent than native Philadelphians. To the southern migrant, property ownership in the North, just as in the South, afforded a degree of economic independence from the oppressive white community. Second, since most of the homeowners were under the age of fifty, they were born free and they inherited an understanding of the importance of homeownership from their parents who were mostly born in slavery. To this generation of African Americans, the North was the destination to achieve their goal of property ownership.

The Great Migration, Housing, And Philadelphia, 1916 To 1930

As the migrants began to pour in to Philadelphia in 1916, they were arriving to a well-established and arguably the foremost African American community in the United States. The community had a prominent history of institution building that contributed to the development of strong "black consciousness" that repeatedly challenged racial discrimination in Philadelphia. The tremendous growth in African American migrants in the first wave of the Great Migration occurred in two main spurts.[276] As the military

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[275] Ibid., 108-09.

industries and railroads in the Philadelphia area increased production in response to the demands caused by World War I, approximately 40,000 African Americans arrived from the South.[277] From April through June 1916, approximately 8,000-10,000 migrants arrived and, subsequently, the migration continued at the rate of 150 per week until the end of World War I.[278] A second wave of migration occurred during the apex of the Roaring Twenties when an additional 20,000 people arrived in the City of Brotherly Love.[279] Prior to World War I, most African American migrants that journeyed to Philadelphia departed from the upper South, mostly Maryland and Virginia. Most were also familiar with urban environments having previous lived in such southern urban centers as Richmond, Baltimore, Washington D.C. The new wave of African American migrants came from the rural areas of the lower South such as North Carolina, South Carolina, Georgia, and Florida.[280] The combination of huge number of migrants with limited prior exposure to urban environments placed a tremendous stress on the African

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[276] Generally, historians have distinguished two periods of tremendous migration of African Americans from the North to the South in the Twentieth Century. The Great Migration refers to the exodus of African Americans during World War I and the Roaring Twenties. The Second Great Migration refers to the period of migration from World War II through the Vietnam War. James N. Gregory, "The Second Great Migration: A Historical Overview," 19.

[277] Sadie Tanner Mossell, "The Standard of Living Among Hundred Negro Migrant Families in Philadelphia," *Annals of the American Academy of Political and Social Science* 98 (Nov. 1921): 173-174.

[278] Ibid.

[279] Charles A. Hardy, III, *Race and Opportunity: Black Philadelphia During the Era of the Great Migration 1916-1930* (Ph.D. diss., Temple Univ., 1989), 100.

[280] Gregg, *Sparks From the Anvil of Oppression*, 24.

American community and the city of Philadelphia. Overall, by 1930, Philadelphia had 152,329 southern-born African American residents that represented 63.1 percent of the total African American population in the city.[281]

Prior to the Great Migration, Philadelphia maintained a decentralized pattern of racial segregation that was typical of some Southern cities. The moderate level of residential segregation was, in part, attributable to the occupation status of the majority of blacks. Typically, blacks employed as domestics and personal service lived in close proximity to their white employers. Like Washington and Baltimore, blacks often lived in alley dwellings, creating small concentrations of blacks, within clusters of the better housing of whites.[282] As of 1890, over half of the African American population was concentrated in several wards in South Philadelphia with other significant concentrations in North and West Philadelphia. Moreover, Philadelphia also had a substantial number of other smaller African American settlements scattered throughout the city. It was in such smaller communities that African Americans often sought to purchase homes. As Wright, Jr. described in 1912:

> But the home-owning and more prosperous Negroes are, as a rule moving out of the distinctively Negro neighborhood. In Philadelphia, west of 15th and south of Bainbridge, in Elmwood and Germantown, a large number of the better class of Negroes have settled within the past ten years. The largest number of home-owners is outside of the most densely settled Negro district, but which is chiefly inhabited by foreigners.[283]

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281 Gregory, "The Second Great Migration," 22.

282 Karl E. Taeuber and Alma F. Taeuber, *Negroes In Cities: Residential Segregation and Neighborhood Change* (Chicago, IL: Aldine Publishing Company, 1965), 19.

283 Wright, *The Negro in Pennsylvania*, 65.

As the migrants began arriving in ever-increasing numbers, most of them settled in North and West Philadelphia resulting in a numerous neighborhoods transitioning rapidly from white to black. In North Philadelphia, many financially secure African American families were purchasing "large and handsome houses and forming colonies."[284] For example, a well-respected African American contractor bought a house in a white neighborhood located in North Philadelphia. Within one year, all of the houses on both sides of the street, except for one, were sold to African Americans who maintained the homes "entirely in accordance with the best American standards of home making."[285] By 1925, North Philadelphia had grown to 51,000 blacks, making it the third largest community behind only Harlem and the South Side in Chicago.[286] Despite such a rapid influx and the attenuate racial animosity it generated, by 1930, racial segregation levels remained relatively low as African Americans only represented a majority in one ward in the entire city. The average African American lived in a census tract that was only 34.7 percent black.[287] By 1940, the African American population was relatively evenly distributed across three areas with 26 percent of the population residing in West Philadelphia; 27 percent in South Philadelphia; and 37 percent in North Philadelphia.[288]

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[284] T.J. Woffter, Jr., and Madge Headley Priest, *Negro Housing in Philadelphia* (Philadelphia, PA: The Friends' Committee on Interests of the Colored Race and Whittier Center, 1927), 7.

[285] Ibid.

[286] Hardy, *Race and Opportunity*, 169.

[287] Ibid.

[288] Gregg, *Sparks From the Anvil of Oppression*, 27.

Upon their arrival in Philadelphia, the migrants, often for the first time, were exposed to urban life in all of its forms. A detailed profile of the migrants was prepared by Sadie Tanner Mossell who became first African American women to earn a Ph.D. in economics upon her graduation from the University of Pennsylvania in 1921.[289] She conducted an extensive survey of one hundred migrant families who arrived in Philadelphia from rural areas of Mississippi, Alabama, Florida, Georgia, and South Carolina during 1917 and 1918.[290] Of the 161 wage earners in the families, 134—or 83 percent—were employed as unskilled laborers or domestics. While such jobs were plentiful, they had little potential for upward mobility. The migrant's income ranged from $766.50 to $5,581.60, with 69 percent receiving between $1,068 and $1,970. Despite the meager incomes, sixty of the families were able to save money in a variety of manners, including: a bank – thirty-seven families, building and loan associations – four families, or by investing in property – five families.[291] While two of the migrant families were able to purchase homes in good condition, the overwhelming majority rented and lived in over-crowded, deplorable housing.

In fact, the migration created a tremendous housing crisis in Philadelphia, as it struggled to accommodate 40,000 black migrants. Just as influx commenced, new housing starts slowed dramatically from 7,762 in 1916 to 965 in 1918, due to the labor and supply

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289 Sadie T.M. Alexander, "The Best of Times and the Worst of Times," *University of Pennsylvania Law Alumni Journal* 12 (Spring, 1977): 19.

290 Mossell, "The Standard of Living Among Hundred Negro Migrant Families in Philadelphia," 178.

291 Ibid., 203.

demands of World War I.[292] With little new housing available, the migrants were packed into every available space in existing African American neighborhoods. The high demand for housing also led to a dramatic increase in rents that affected both African Americans and whites throughout Philadelphia. Not surprisingly, the conditions also stoked racial animosity as African Americans and whites increasingly competed for limited housing resources and faced the prospect of stiff rent increases or even eviction. The tension boiled over in numerous skirmishes and culminated in a four-day riot in the summer of 1918 that left four people dead and destroyed the homes of dozens of African Americans.[293]

As the tremendous growth in the black population strained relations with the white community and created a housing crisis, members of the well-established African American community, also referred to as Old Philadelphians or O.P.'s, often reacted with scorn and resentment towards the migrants. To the Old Philadelphians, the migrants were the direct cause of the emerging problems, as opposed to possible structural or racist explanations, that threatened their hard-earned standing in Philadelphia. As Mossell, herself a member of the African American elite as her father was the first black to graduate from the University of Pennsylvania Law School, stated: "Certainly none of us can deny that the migration retarded the steady march of progress of the colored people in Philadelphia."[294] The tensions were also a reflection of class and cultural differences between the migrants and the Old

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[292] Hardy, *Race and Opportunity*, 137.

[293] Ibid., 145. See Vincent P Franklin, "The Philadelphia Race Riot of 1918," *The Pennsylvania Magazine of History and Biography* 99 (Jul., 1975), 336-350.

[294] Mossell, "The Standard of Living Among Hundred Negro Migrant Families in Philadelphia," 216.

Philadelphians. Such differences were harshly apparent in some of Mossell's comments in her study:

> With few exceptions the migrants were untrained, often illiterate, and generally void of culture. On the other hand, there stood thousands of native Negro population of Philadelphia, who had attained a high economic, intellectual and moral status. They found suddenly thrown into their midst about forty thousand migrants, whose presence in such large numbers crushed and stagnated the progress of Negro life.[295]

Despite such tension, Old Philadelphians sought to assimilate the migrants and undertook efforts to address the housing problems that faced the migrants upon their arrival in Philadelphia. Leading the effort were the African American churches. To address the housing crisis, a number of African American ministers formed the Interdenominational Ministerial Alliance in 1917.[296] The Alliance implored their parishioners to make their homes available for lodgers and held meetings to discuss problems encountered by the migrants. Church members were also involved in a number of other organizations that sought to assist the migrants and improve housing conditions, including: Philadelphia Housing Association, the Armstrong Association, the Commission on Work among Colored People, and the Society for Organizing.[297]

While such efforts provided temporary housing relief, the migrants also sought to address the problem on their own accord by purchasing their own homes. In this respect, the desire to achieve homeownership may have distinguished the migrants from their

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[295] Ibid.

[296] Gregg, *Sparks From the Anvil of Oppression,* 59.

[297] Ibid.

Northern brethren. Isadore Martin, a prominent African American real estate agent, recalled:

> It's a funny thing, but in the South to own your own home was very important thing. In Philadelphia it wasn't. When I was young man – very nice people who lived in South Philadelphia families – had been there for years. I thought they owned the house but they had been renting for twenty, thirty, forty years. And my father said many times that the native Philadelphians would say "No. Don't you buy. The prices are too high." And of course the prices went up about four times to what they were before. And they would hand the lease down from father to son. That is an actual fact…But many, they tried to discourage the newcomers from buying. But they bought anyway. They wanted to say, "This is mine." Nobody can say your rent is being raised or you have to move out.[298]

While the evidence to support is scant, as historian Charles Hardy explained, it was certainly ingrained in the folk history of the Great Migration that native Philadelphians were renters and migrants were buyers.

As African Americans packed up their physical belongings and left behind the rural enclaves in the South, they also brought with them their culture, values, and dreams, including the desire to achieve homeownership. Just as in the South, homeownership was more than a simple rational economic decision. It provided a spatial dimension from white racism that afforded African Americans a space from which to wage the struggle for civil rights and equality. To African Americans, homeownership meant economic security from exploitive white landlords. It also provided a secure environment to develop and preserve familial relationships. E. Franklin Frazier's examination of African American family life in Chicago, he concluded that "[n]othing showed so vividly as the progressive stabilization of

[298] Hardy, *Race and Opportunity*, 173.

Negro family life…as the increase in homeownership for the successive areas."[299] Equally important, homeownership also represented the epitome of the American Dream, and blacks, by the millions, set their gaze on the urban cities of the North, including Philadelphia, for the realization of that Dream. As one survey conducted by the Commonwealth of Pennsylvania concluded: "Nowhere is the desire for homeownership more pronounced than among Negroes."[300]

Fletcher and Utensie Hillian were two such migrants that journeyed to Philadelphia.[301] When Fletcher Hillian found the first boil weevil on his two hundred acre cotton farm that he owned in South Carolina, he knew it was time to leave the South. In 1924, Hillian left South Carolina and moved to Philadelphia where he obtained work as a laborer and, later as a janitor. The following year, Fletcher returned to South Carolina to marry his sweetheart, Utensie, and together they moved to Philadelphia. Like Fletcher, the importance of land ownership was undoubtedly instilled in Utensie as she was reared on a 100-acre farm owned by her family. Fletcher and Utensie specifically chose to settle in Philadelphia because they believed it afforded them the best opportunity to purchase a home.

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[299] E. Franklin Frazier, *The Negro Family in Chicago* (Chicago, IL: University of Chicago Press, 1932), 128-35.

[300] Commonwealth of Pennsylvania, Department of Welfare, *Negro Survey of Pennsylvania* (Harrisburg, PA: Commonwealth of Pennsylvania, 1927), 26.

[301] Hardy, *Race and Opportunity*, 194-96. Historian Charles Hardy conducted over eighty interviews of African American migrants as part of an oral history documentary for a Philadelphia public radio station, entitled: "Goin' North: Tales of the Great Migration." Fletcher and Utensie Hillian were interviewed by Charles Hardy on June 4, 1984.

In the mid-1920s, the Hillians purchased a house in North Philadelphia in an all-white, primarily Irish neighborhood. In making the purchase, the Hillians ignored the race of the residents and simply chose to purchase the house because they liked it. While the Hillians did not experience any problems with their neighbors after they moved into their home, many whites promptly sold their homes and were replaced by African American families. As was often the case, six of Utensie's siblings subsequently followed her to Philadelphia and, after initially living with them, purchased their own homes. The Hillians had taken their "cultural baggage" of property ownership that was rooted in the experience of the South to Philadelphia and were able to achieve homeownership.

One of the reasons Fletcher and Utensie Hillian chose Philadelphia and were able to purchase a home was the structural fact that its housing stock was particularly well-suited for homeownership. Between 1890 and 1914, a tremendous burst of housing construction added mile after mile of single-family dwellings to the existing housing stock in Philadelphia.[302] One of the main reasons behind the construction boom were major changes in transportation with the advent of the electrified trolleys and, later the elevated train and subway.[303] The new construction was dominated by rowhouses as entire blocks of such homes were built at one time, creating streetcar suburbs. Typically, a rowhouse, also know as a "trinity" house, consisted of three levels – father-son-holy ghost - with one or two rooms per floor with low ceilings[304]. The ubiquitous rowhouse resulted in housing stock

[302] Hardy, *Race and Opportunity*, 131.

[303] Theodore Hershberg, et al., "A Tale of Three Cities: Blacks Immigrants, and Opportunity in Philadelphia, 1850-1880, 1930, 1970," in Hershberg, ed., *Philadelphia*, 473.

that was dominated by single family dwellings, constituting over 91.6 percent of Philadelphia's 398,087 housing units. Such high levels of single family dwellings was significantly higher than other cities such as Detroit at 79.7 percent, Pittsburgh at 77.4 percent, New York at 52.8 percent, and Chicago at 52 percent.[305] As new construction resumed primarily in the northeast section of Philadelphia and suburbs following the end of World War I, between 1923 and 1925 alone, 20,885 single family dwellings were built in Philadelphia, of which 50 were available for African Americans.[306] The white population demographic shift opened up new neighborhoods for African Americans to purchase homes.

Another factor encouraging homeownership was cost as the housing stock remained relatively affordable, particularly in relationship to escalating rents. According to Bernard J. Newman, Managing Director of the Philadelphia Housing Association, in 1910 to 1912, homes sold in the range from $1,800 to $2,000 and by the late 1920's homes were selling in the range of $4,500 to $6,000.[307] He explained that in the late 1920's, the cheapest low-cost houses in Philadelphia were marketed for $3,990.[308] As of 1930, the median value of a home owned by an African American in 1930 was $4,662 in comparison to $6,377 in

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[304] Carolyn Adams et al., *Philadelphia: Neighborhoods, Division, and Conflict in a Postindustrial City* (Philadelphia: Temple University Press, 1991), 73.

[305] Hardy, *Race and Opportunity*, 131.

[306] Ibid.

[307] Woofter, *Negro Housing in Philadelphia*, 26.

[308] Ernest T. Trigg, et al., *Home Ownership, Income, and Types of Dwellings: Reports of the Committees on Home Ownership and Leasing, Relationship of Income and the Home, Types of Dwelling* (Washington D.C.: National Capital Press, Inc., 1932), 72.

Chicago, $6,360 in Detroit, and $8,519 in New York.[309] In contrast, by 1927, the average African American dwelling in Philadelphia was renting for $7.95 a week for a monthly gross of $413.40 for the owner of the property.[310] Even with a net return of $300 per month, a single year of rental income most likely exceeded the total worth of dwelling. Despite the increase in selling prices in Philadelphia during the Great Migration, home prices were still a relatively bargain. The average black household earned $1,348 annually.[311] A federal study of African American housing in 1930 indicated that an annual income of $1,500 was necessary to buy and maintain home.[312] In short, the housing stock of Philadelphia was dominated by plentiful singly family dwellings consisting overwhelmingly of row houses that were relatively inexpensive and were affordable to the average African American household. The combination of these factors made the dream of homeownership a decidedly reasonable objective for both whites and blacks. "The single family rowhouse," according to Charles Hardy "was by far the best thing that Philadelphia had to offer to the southern migrants. But it, too, cost dearly."[313]

Obviously, the easiest way to enter to ranks of ownership was to simply purchase a home for cash. As the migrants left the South, those who owned property, such as the Fletcher Hillian, were able to sell their land and start their journey with nest egg of

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[309] Hardy, *Race and Opportunity*, 175.

[310] Woofter, *Negro Housing in Philadelphia*, 22.

[311] Hardy, *Race and Opportunity*, 175.

[312] Charles Johnson, *Negro Housing: Report of the Committee on Negro Housing* (Washington D.C.: National Capital Press, Inc., 1932), 79.

[313] Hardy, *Race and Opportunity*, 136.

accessible cash. As Bernard J. Newman, Managing Director of the Philadelphia Housing Association, explained in 1927, "[m]any of the Negro migrants brought considerable sum of money with them and looked for an immediate investment. They were also influenced by the high rents which they must pay which made housing buying very attractive."[314] Newman cited one example of an African American who sold his property in the South for $10,000 and moved to Philadelphia. Upon his arrival, he immediately spent $9,000 to purchase a home.[315] In April 1917, *The Survey* reported that some migrants were arriving in Philadelphia with $50 to $1,500 in proceeds from the sale of their homes in the South and were using the money as a down payment for the purchase of a home. It is certainly clear that some African Americans, such as the Hillians, were able to transfer the wealth equity accumulated through property ownership in the South to effectuate the immediate the purchase of a home in the North.

Most often, however, blacks did not have sufficient cash reserves to buy a house outright. Just as in the South, African Americans frequently cobbled together multiple income sources to save enough money for a down payment to purchase a home. It often required two or more wage earners in a family or a group of relatives agreeing to live together to generate the income to afford the house payments.[316] Another way to generate income to pay for the purchase of a home was by taking in lodgers. According to housing records from the Philadelphia Housing Association, approximately 60 percent

[314] Woffter, *Negro Housing in Philadelphia*, 25.

[315] Ibid., 26.

[316] Ibid., 8.

of African Americans who owned their homes took in lodgers to assist in making their payments.[317] A small number of African Americans such as business and professional men earned sufficient income to buy and maintain good homes. Even with such Herculean efforts, African Americans required some type of financing to purchase a home.

Financing And Credit Discrimination

In order to enter the ranks of homeownership in the late nineteenth and early twentieth century, perspective purchasers, African American and white, often required some type of credit to finance the purchase transaction. According to the 1890 census, 29 percent of homes in the United States had a mortgage with an average debt of $1,139.[318] This need for credit in home buying, as one journalist commented in 1876, presented "a most interesting problem in practical finance."[319] The problem, in part, was the product of the National Banking Act which prohibited national banks from providing long-term, amortized mortgages for real estate.[320] As a consequence, there developed a diversity of methods for financing the purchase of a home. Both blacks and whites utilized one of three outlets to finance the purchase: a private individual, a savings bank, or a building and loan association.[321]

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[317] Ibid., 17.

[318] Lendol Calder, *Financing The American Dream: A Cultural History of Consumer Credit* (Princeton, NJ: Princeton University Press, 1999), 68.

[319] Ibid., 64-65.

[320] Ibid., 68.

[321] Johnson, *Negro Housing*, 96.

First, one of the most common methods available for African Americans to finance a home purchase was the installment or land contract also know as the "pay like rent" plan.[322] Under such a contract, the owner of the property sold the property to a buyer at an agreed upon price and the purchase was financed through a series of monthly installment payments to the original owner.[323] The contract was subject to predatory and exploitative abuse in a number of ways. First, the buyer often did not gain title to the property until the last installment payment was made. Second, the installment contract acted to prevent the buyer from gaining any equity in the property over the course of the agreement term. Such a contractual arrangement could be utilized in a predatory manner because if the buyer missed a single payment, the seller could take back the property without foreclosure proceedings, and the buyer would lose not only the property but all payments previously made on the contract.[324] Third, usury laws and mortgage interest rate ceilings did not apply, since the installment contract was a private contract between the parties, a seller could charge any interest rate that the buyer was willing to pay. Fourth, the buyer could be kept ignorant of the actual value of the property since appraisals were not necessary to finance the transaction. Thus, it was possible to have great disparities between the fair market value and the sales price which further facilitated exorbitant pricing practices and other predatory practices. Finally, it was possible for the seller to place additional mortgages on the

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[322] Calvin Bradford, "Financing Home Ownership: The Federal Role in Neighborhood Decline," *Urban Affairs Quarterly* 14 (1979): 319.

[323] Ibid.

[324] Ibid.

property after the buyer had started making payments and without his knowledge.[325] As T.J. Woofter, Jr. summarized the inherent dangers of such financing in his study:

> Selling under contract-lease is highly speculative, and is carried on through active advertising and soliciting campaigns in which glowing promises are made. Buyers are tempted to undertake a burden of payments extending over from ten to fifteen years, with constant danger of loss through violation of clauses in the lease contract, or through default.[326]

The story of Ossian and Gladys Sweet provides an example of the operation of an installment contract. In May 1925, Ossian Sweet, a black dentist, and his wife, Gladys, after months of searching, found an attractive house they wanted to purchase in a white neighborhood in Detroit.[327] The standard selling price in the neighborhood for such a house was $12,000 to $13,000. Realizing that the Sweets' purchase options were limited due to the racially segregated housing market in Detroit, Ed and Marie Smith, the properties' owners, increased their asking price for the Sweets to $18,500. Since the Sweets' had three previous offers rejected by sellers in white neighborhoods, they decided to accept the Smith's sales price. The Sweets agreed to a down payment of 20 percent of the purchase price. Since the Sweets' were unlikely to obtain a bank loan, the Smiths financed the transaction with an installment contract. Under the terms of the contract, the Sweets were to pay 120 monthly installments of $150.00. The Smiths would retain title to the house until the final payment was made in 1935. During the course of the ten-year contract, the Sweets

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[325] Johnson, *Negro Housing*, 97.

[326] T.J. Woffter, Jr., *Negro Problems in Cities* (New York: Doubleday, Doran & Company, 1928), 149.

[327] Kevin Boyle, *Arc of Justice: A Saga of Race, Civil Rights, and Murder in the Jazz Age* (New York: Henry Holt and Company, 2004), 145-46.

were to pay the Smiths an extraordinary interest rate of 18 percent on the balance. On June 7, 1925, the Sweets paid $3,500 as a down payment and signed the contract, moving in on August 1.[328]

While the Sweets' experience occurred in Detroit as opposed to Philadelphia, it was hardly unusual as installment contracts continued to be one of the principal financing mechanisms for African Americans throughout the Untied States seeking to achieve homeownership. Overall, in 1940, of the African American homeowners with outstanding first mortgages, 31.9 percent of the mortgages were held by individuals.[329] In Philadelphia, 24.2 percent of mortgages were held by individuals suggesting that financing by private individuals was relatively wide spread in Philadelphia.[330] As a result, the use of the installment contracts to achieve homeownership often culminated in blacks being charged high interest rates to purchase homes at inflated prices.

The second possible vehicle for achieving homeownership for African Americans as well as whites was a mortgage loan from a traditional bank. However, obtaining a loan from a bank required a large down payment, often one half or more of the purchase price.[331] One study of twenty-two cities during the time period from 1911 to 1929 concluded that the average down payment ranged from one-half to two-thirds of the total purchase

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[328] Ibid.

[329] Robert C. Weaver, *The Negro Ghetto* (New York: Harcourt, Brace and Company, 1948), 265.

[330] Kristen B. Crossney and David W. Bartelt, "Residential Security, Risk, And Race: The Home Owners' Loan Corporation And Mortgage Access In Two Cities," *Urban Geography* 26 (2005): 726.

[331] Thomas Schlereth, *Victorian American: Transformations in Everyday Life, 1876-1915* (New York: HarperCollins Publisher, 1991), 101-02

price.[332] Typically, the remaining amount of the purchase price was raised through a mortgage at an interest rate of six percent for a usual period of five years.[333] Such mortgages were termed "straight" mortgages, meaning that the borrower was required to make interest payments for the duration of the loan and pay the principal in a lump sum at the end of the loan term.[334] "Straight" mortgages often required repeated refinancing at the conclusion of the loan term when the balance of the principal came due.[335] Further complicating the transaction, fluctuating market conditions could render obtaining a refinance difficult if the economy took a downturn.

In an effort to obtain funds for the large required down payment on a home purchase, borrowers frequently had to take out second mortgages to cover the difference between the purchase price and first mortgage. The second mortgages were often offered at interest rates on average twice the rate as those offered on first mortgages with fees as much as 20 percent of the loan amount. Such loans also usually matured within one to three years with additional fees accessed upon renewal.[336] Nor was it unusual for borrowers to have to

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[332] Masnick, "Home Ownership Trends and Racial Inequality In the United States in the 20th Century," 3.

[333] Ibid., 101.

[334] Calder, *Financing The American Dream*, 65-66.

[335] Boyle, *Arc Of Justice*, 149.

[336] David L. Mason, *From Building And Loans To Bail-Outs: A History of the American Savings and Loan Industry, 1831-1995* (New York: Cambridge University Press, 2004), 58.

take an additional third mortgage to cover the fees and costs of the mortgages as well as to make first payments of the mortgage.

While whites encountered the same financial system when attempting to purchase a home, blacks faced at least two additional discriminatory barriers from savings banks. Initially, some savings banks simply refused to make loans to African Americans. The *Philadelphia Tribune* frequently reported that white banks refused to make loans to African Americans.[337] Raymond Pace Alexander, a prominent African American lawyer, advocated a boycott of white banking institutions due to the treatment accorded African Americans, noting it was "such a discourteous nature as to be attributed to prejudice and racial hatred."[338] Alexander explained:

> There are many Negroes who deposit large sums of money every year in the Girard Trust company, and yet if a colored man owned City Hall he would be unable to get a first mortgage on it at this bank. They absolutely refuse to lend money, in any manner to Negroes…There are numerous other banks in the city that are equally undesirous of having Negro depositors.[339]

Likewise, the Chicago Commission on Race Relations in the aftermath of the 1919 race riot concluded that blacks faced major barriers in their efforts to secure

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[337] "Four Negro Insurance Firms Handle Millions Annually in Phila.," *Philadelphia Tribune*, January 1, 1963.

[338] "Negro Should Patronize His Race Projects," *Philadelphia Tribune*, January 19, 1928.

[339] Ibid.

mortgages as some lenders completely avoided areas populated by African Americans.[340]

The failure to obtain a mortgage for a home purchase often had severe financial repercussions for African Americans. According to Joseph F. Trent, an African American builder and contractor, "[i]n general, old houses are sold to Negroes higher than the market value partly because of the difficulty of financing. Many families put up deposit of money, then find they cannot finance the purchase, and lose their deposit."[341] Likewise, in a full-page advertisement in the *Philadelphia Tribune*, Citizens and Southern Bank and Trust Company, a black owned and operated institution, elaborated on the problem:

> Every day people come to our office who have spent money in real estate. Many have dealt with irresponsible people. They have put down deposits of $200 to $1,500 with men who promised them mortgages and when the time comes, they cannot produce the mortgages and the poor purchasers lose their money or at least are put to a double or treble expense.[342]

When savings banks did make mortgage loans to African Americans, the terms and conditions were often onerous and significantly different than those offered to whites. A study in Chicago in the 1920s found that whites were able to obtain first mortgages at interest rates ranging from 2 to 6 percent with additional fees consisting of 3 to 6 percent of the total loan amount.[343] In contrast, blacks usually paid interest rates of 6 percent, the

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[340] Chicago Commission on Race Relations, *The Negro in Chicago: A Study of Race Relations and a Race Riot* (Chicago, IL: The University of Chicago Press, 1922), 221.

[341] Woffter, *Negro Housing in Philadelphia*, 27.

[342] "The Citizens' and Southern Banking Company: A Business Achievement, Makes Good Because of Public Confidence," *Philadelphia Tribune*, February 2, 1924.

[343] Woffter, *Negro Problems in Cities*, 149.

maximum legal rate in Pennsylvania, with fees ranging from 15 to 35 percent.[344] When the term of the first mortgage expired and the balloon payment came due, the renewed mortgage amount was often reduced and the properties were appraised for a significantly less than upon purchase.[345] Under such conditions, it was extremely difficult to renew the original first mortgage.

African Americans also frequently had to resort to second and even third mortgages to complete the home purchase. According to Thomas Woofter, in the 1920's, blacks in the North were charged interest rates as high as 25 percent for second mortgages and certainly no less than 12 percent. He also explained that second mortgages were "still difficult" to obtain and "will continue to be until the tenacity of colored families in paying out for their homes is generally recognized, and until the secondary mortgage field is more highly developed."[346]

It was with third mortgages "that the buying of a home is often wrecked."[347] Third mortgage loans were advertised at an interest rate of 6 percent plus a service charge fee. While the interest rate was modest, the fee varied depending on the need of the borrower and certainly could be subject to exploitative practices. In Philadelphia, George Mitchell, a prominent African American lawyer who served as a solicitor to a number of building and loan associations, explained the function and cost of third mortgages:

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[344] Ibid.

[345] Ibid., 146-47.

[346] Ibid.

[347] Woffter, Jr., *Negro Housing in Philadelphia*, 28.

> Third mortgages are rather common, and while they carry a high rate of premium, are often necessary. For instance, if a prospective home buyer has one thousand dollars to put down, nearly two hundred will be taken in brokerage, search of title, payment of taxes, insurance and other items which must be paid before he gets his loan. His cash may be reduced until he is short on his first payment . . . a third small mortgage is necessary to cover first expenses and keep the cash payment intact . . . . There is great difficulty in getting this third mortgage money at reasonable prices, and when a man gets into difficulties and must have it, he often pays outrageous rates.[348]

While some savings banks were undoubtedly dealing fairly with African Americans, "a considerable proportion of mortgage money comes from lenders who ask for excessive rates, have no hesitancy in foreclosing, and who make a new profit from every resale of property or renewal of mortgage."[349] Based upon such obstacles, African Americans rarely were able to obtain loans from traditional savings banks. Overall, in 1940, of the African American homeowners with outstanding first mortgages, only 5.2 percent of the mortgages were held by savings banks.[350] A more promising method of financing emerged with the development of the building and loan movement.

Originally founded in Philadelphia in 1831, the rapid rise and expansion of building and loan associations provided persons with low to moderate incomes a promising third alternative financing option to achieve homeownership.[351] Also known as thrifts, the primary purposes of the building and loan association, as explained by Edward Wrigley in his classic book, *The Working-Man's Way to Wealth*, was to provide mortgage loans, instill habits of systemic savings, and encourage mutual cooperation among the association's

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[348] Ibid., 28-29.

[349] Woofter, Jr., *Negro Problems in Cities*, 146-47.

[350] Weaver, *The Negro Ghetto*, 265.

[351] Calder, *Financing The American Dream*, 67.

members.[352] The building and loan "movement" was also embraced by the social reformers of the Progressive Era that viewed homeownership as an effective way to address many of the ills of the urban environment and improve the morals and character of its members.[353] By 1890, there were over nine hundred building and loans in Philadelphia and, overall, by 1893, there were nearly six thousand building and loan associations throughout the United States, holding five hundred million dollars in mortgage loans.[354] (Table 3. Total Number Of Thrifts and Assets In The United States, 1900-1945). A federal study of building and loan associations conducted in 1893 revealed that they served their intended market as 26.9 percent of all members were laborers and factory workers, 17.7 percent were housewives and housekeepers, and 14.5 percent were artisans and mechanics.[355] In 1901, building and loan associations financed mortgage loans for 50,000 homes; the number increased to 87,000 in 1910, and 114,000 in 1915.[356] In short, building and loan associations provided a reasonable financing method for many Americans to join the ranks of homeowners for the first time.

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[352] Edmund Wrigley, *The Working-Man's Way to Wealth*, 3d ed. (Philadelphia, PA: J.K. Simon, 1874), 1-2.

[353] Mason, *From Building And Loans To Bail-Outs*, 42-43.

[354] Calder, *Financing The American Dream*, 67; Mason, *From Building And Loans To Bail-Outs* 28.

[355] Mason, *From Building And Loans To Bail-Outs*, 29.

[356] Schlereth, *Victorian American*, 102.

Table 3. Total Number Of Thrifts And Assets In The United States, 1900-1945

Year	No. of B&L	Assets (000)
1900	5,356	$571,367
1907	5,424	$731,508
1914	6,616	$1,357,708
1920	8,633	$2,519,915
1924	11,844	$4,765,937
1930	11,777	$8,828,612
1937	9,225	$5,682,000
1941	7,211	$6,049,000
1945	6,149	$8,747,000

Source: Josephine Hedges Ewalt, *A Business Reborn: The Savings and Loan Story, 1930-1960* (Chicago: American Savings and Loan Institute Publishing, Co., 1962), 391.

To achieve its objective of creating homeownership for its members, the building and loan associations established a process whereby a perspective home buyer invested his savings by purchasing shares in the thrift.[357] Eventually, the buyer could borrow against his shares in order to finance the home at a low interest rate, usually 6 percent.[358] The borrower then made monthly payments on the interest and the shares.[359] The significance of loans provided by building and loan associations was that they provided for fully amortized repayment; in other words, at the conclusion of the loan term, the borrower had paid off both the interest and principal and owned the home free and clear of any debt.

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[357] Calder, *Financing The American Dream*, 67.

[358] Ibid.

[359] Ibid.

During the Roaring Twenties, the building and loan movement reached new heights of success, originating 22 percent of all mortgages in the United States by 1930.[360] As of 1928, Philadelphia was the center of the movement with 3,428 building and loan associations or 27 percent of the nation's total.[361] The Philadelphia' associations had assets of nearly $750 million and 1,186,089 members, both constituting 10 percent of the nation's total. Part of the movement's growth was attributable to several innovations that simplified the mortgage process for borrowers. First, the average length of the mortgage term increased from eight to twelve years from 1900 to 1930 thereby reducing the monthly payment obligation and making the mortgage more affordable over a longer period of time. Second, building and loan associations established escrow accounts to assist borrowers in paying property taxes and insurance due on the home. Third, the thrifts starting using credit reports and credit scoring analysis to measure risk and assign an appropriate interest rate for a loan. The cumulative effect of such changes made it easier for a borrower to qualify for a mortgage.[362]

Even with the improvements in the mortgage loan process, borrowers were still often required to take out a second mortgage to cover part of the down payment. While most states prohibited building and loan associations from making second mortgages, in Philadelphia a special type of home financing for second mortgages emerged know as "The

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[360] Mason, *From Building And Loans To Bail-Outs*, 61.

[361] William N. Loucks, *The Philadelphia Plan of Home Financing: A Study of the Second Mortgage Lending of Philadelphia Building and Loan Associations* (Chicago: The Institute for Research in Land Economics and Public Utilities, 1929), 2.

[362] Mason, *From Building And Loans To Bail-Outs*, 59

Philadelphia Plan."[363] Under the plan, after selecting a home to purchase, the borrower made a down payment of 20 percent of the purchase price. Next, the borrower obtained a straight, first mortgage, with a term of three to five years requiring only interest payments, from a bank, insurance company or private lender for 50 percent of the purchase price. Finally, the borrower obtained an amortizing, second mortgage from a building and loan association for the remaining 30 percent that was paid in monthly installments over approximately eleven years. The borrower proceeded to only make interest payments on the first mortgage and renewed it when it came due. The factor that made the Plan unique was that most financial institutions would not make a second mortgage that was junior to a first mortgage held by a different financial institution.

The Philadelphia Plan had a number of benefits that aided the borrower in purchasing a home. First, the borrower accrued equity in the property as he paid the second mortgage since it was an amortizing loan. Second, second mortgages were much more affordable under the Plan. The total cost, including all the applicable fees and commission, to the borrower for the second mortgage under the Plan ranged from 9.4 percent to 12.8 percent with most borrowers paying closer to the lower rate. In comparison, for example, in Chicago, the cost of second mortgages ranged from 16 percent to 62 percent and in Pittsburgh, 20 percent was not uncommon.[364] As scholar William N. Loucks, summarized: "the maximum cost experienced by any important group of borrowers in Philadelphia is the

[363] Loucks, *The Philadelphia Plan of Home Financing*, 1. In only Pennsylvania and eleven other states was it legal for building and loan association to make second mortgages when it did not hold the first mortgage. Even when it was legal, most of the states discouraged or even prohibited the practice. Outside of Philadelphia and Baltimore, the practice was virtually unused (ibid., 2).

[364] Ibid., 27

minimum cost experienced by any important group of borrowers elsewhere."[365] Third, since the term of second mortgages was one to three years, they needed to be renewed frequently and it was often expensive to renew a straight, second mortgage.[366] The Plan eliminated such a requirement since the loan was for a long-term, amortizing loan. The widespread use of the Plan in Philadelphia was certainly a contributing factor to the high rate of homeownership in the "City of Homes."

Race and Homeownership

African Americans were not the only ones to bring the "cultural baggage" of homeownership to the North. The commencement of the Great Migration came at the heels of a period of tremendous immigration into the United States, primarily from Southern and Eastern Europe. Between 1900 and 1920, over fourteen million immigrants entered the United States.[367] The Irish, Italian, Slavic, and other immigrants demonstrated an "ardent ambition" to own a home that even surpassed that of middle class native white Americans.[368] The desire to buy a home was so strong that social service workers worried that immigrants would "starve their families" in order to save the money necessary for the

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[365] Ibid., 30.

[366] Ibid.

[367] Howard Zinn, *A People's History of the United States, 1492-Present*, new ed. (New York: HarperCollins, 2003), 382.

[368] Arnold Hirsch, *Making The Ghetto: Race and Housing in Chicago, 1940-1960* (Cambridge, MA: Cambridge University Press, 1998), 187-89.

purchase.[369] European immigrants, like blacks, recognized that homeownership represented economic security against eviction, joblessness, and protection from any other cruel whim of the free market. The desire for land was also rooted in the immigrant's experiences in Europe and represented a "transfiguration of the ancient peasant land hunger."[370] More importantly, David Roediger also argued that homeownership was a central component in the process whereby new immigrant groups assimilated into United States culture by developing their sense of "whiteness."[371]

Immigrants also were remarkably successful in making the dream of homeownership a reality. In Oliver Zunz's study of Detroit, he determined that 38.4 percent

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[369] David Roediger, *Working Toward Whiteness: How America's Immigrants Became White, The Strange Journey from Ellis Island to the Suburbs* (New York: Basic Books, 2005), 160.

[370] Hirsch, *Making The Ghetto*, 187.

[371] Roediger, *Working Toward Whiteness*, 58. Recent scholarship has witnessed the emergence of "whiteness" studies that have sought to examine the social construction of white racial identity. Such studies have examined the historical development of whiteness as a tool of the ruling classes designed to control the European proletarian immigrants. See generally David Roediger, *The Wages of Whiteness: Race and the American Working Class* (New York: Verso, 1991); Theodore Allen, *The Invention of the White Race: The Origin of Racial Oppression in Anglo America* (New York: Verso, 1997); Noel Ignatiev, *How the Irish Became White* (New York: Routledge, 1995); George Lipsitz, *The Possessive Investment in Whiteness: How White People Profit from Identity Politics* (Philadelphia, PA: Temple University Press, 1998); Matthew Jacobson, *Whiteness of a Different Color: European Immigrants and the Alchemy of Race* (Cambridge, MA: Harvard University Press, 1998); Ian F. Haney Lopez, *White By Law: The Legal Construction of Race* (New York: New York University Press 1996); Richard Delgado & Jean Stefancic, *Critical White Studies: Looking Behind the Mirror* (Philadelphia, PA: Temple University Press, 1997). More recently historical scholarship has provided a critical review of the "whiteness" studies. See Peter Kolchin, "Whiteness Studies: The New History of Race in America," *Journal of American History* 89 (June, 2002): 154-173.

of Germans and 32.4 percent of Irish owned their homes.[372] Also, he found that in 1920 no "Polish block" in Detroit had a homeownership rate of less than 30 percent, and in some areas as many as 75 percent of heads of households owned a home.[373] Likewise, a Works Progress Administration study of Chicago in 1939 found that 41.3 percent of foreign-born whites owned their homes in contrast to 21.7 percent of the native-born whites.[374] The same study concluded that nearly 50 percent of Lithuanians and Poles as well as approximately 40 percent of Italians achieved homeownership.[375]

Nor were such homeownership rates limited to major United States cities. Indeed, in smaller cities, immigrants made similar striking gains in entering the ranks of homeownership. By 1900, 63 percent of Polish immigrants had become home owners in Toledo, Ohio.[376] Likewise, in Johnstown, Pennsylvania, in 1900, 8 percent of Croatian males, five percent of Slovaks, and four percent of Slovenes could claim homeownership.[377] Just forty years later, the number of homeowners had drastically increased, rising to 40

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[372] Oliver Zunz, *The Changing Face of Inequality: Urbanization, Industrial Development, and Immigrants in Detroit, 1880-1920* (Chicago, IL: University of Chicago Press, 1982), 153 table 6.2.

[373] Ibid., 390.

[374] Roediger, *Working Toward Whiteness*, 158.

[375] Ibid.

[376] Ewa Morawska, *For Bread with Butter: The Life-Worlds of East Central Europeans in Johnstown, Pennsylvania, 1890-1940* (New York: Cambridge University Press, 1985), 401.

[377] Roediger, *Working Toward Whiteness*, 159.

percent among Croatians, 32 percent among Slovaks, and 33 percent among Slovenes.[378] In most United States urban areas, the rates of homeownership increased dramatically, with some areas, such as Baltimore, Omaha, Cincinnati, and Philadelphia, witnessing a 100 percent increase.[379]

While it was certainly difficult, homeownership was a realistic possibility for both native born and immigrant whites. According to Stephan Thernstorm's study of social mobility, "real estate was strikingly available to working class men who remained in Newburyport for any length of time" with home ownership rates ranging from 63 to 78 percent.[380] At the turn of the twentieth-century, according to the United States census, the overall rate of homeownership in the United States was 46.5 percent. The overall rate dropped slightly to 45.9 percent in 1910 and remained at that level in 1920. In Philadelphia, the overall rate was 1930, the highest of any major urban area in the North.

Despite the financing innovations and migration patterns of African Americans, the first decades of the twentieth century, witnessed a continuation of the substantial racial homeownership gap in the Untied States. A racial breakdown of the rates reveals that the white homeownership rate in 1900 was 49.8 percent in contrast to the black rate of 23.6 percent for an overall race gap of 26.2 percent.[381] (See Table 4. Homeownership Trends By

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[378] Ibid.

[379] Schlereth, *Victorian America*, 100.

[380] Stephan Thernstrom, *Poverty and Progress: Social Mobility in a Nineteenth Century City* (Cambridge, MA: Harvard University Press, 1964).

[381] Masnick, Homeownership Trends and Racial Inequality In the United States in the 20th Century, 28

Race, 1890-1960). Thirty years later, the black rate had only increased to 25.2 percent and the gap had only decreased by slightly over 1 percent.

In contrast, during the twenty-year period from 1910-1930, the African American homeownership rate in Philadelphia tripled from 5.0 percent to 15.4 percent. Woofter noted that one area of Central North Philadelphia had hardly existed in 1910 but by 1924 had over 3,200 black families, with a homeownership rate of 26.79 percent.[382] According to Isadore Martin, an African American realtor, middle class blacks viewed West Philadelphia as "the place" to buy homes.[383] He explained that: "West Philadelphia was a garden spot and it was the newest part of the city and was considered a desirable place to live . . . . If you moved to West Philadelphia you would have a porch, very often a front yard, and a back yard and perhaps, a side yard."[384] As of 1925, blacks had twenty million dollars invested in home in Philadelphia.[385] The rate of African American homeownership in Philadelphia was also substantially higher than other major urban cities in the North, both in terms of absolute numbers of homeowners and percentage of homeowner. (See Table 5. African American Homeownership In Five Major Cities, 1930 and Table 6. African American Homeownership In Three Major Cities, 1910-1930). The story of Arthur Dingle speaks to the migrant experience and African American homeownership in Philadelphia.

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[382] Woofter, *Negro Housing in Philadelphia*, 25.

[383] Hardy, *Race and Opportunity*, 171.

[384] Ibid.

[385] Commonwealth of Pennsylvania, *Negro Survey*, 27.

Table 4. Homeownership Trends By Race 1890-1960

Census	Total	White	Black (N/W)	Racial Gap
1890	47.8%	51.5%	19.0%	32.5%
1900	46.7%	49.8%	23.6%	26.2%
1910	45.9%	50.2%	23.7%	26.5%
1920	45.6%	48.2%	23.9%	24.3%
1930	47.8%	50.2%	25.2%	25.0%
1940	43.6%	45.7%	23.6%	22.1%
1950	55.0%	57.0%	34.9%	22.1%
1960	61.9%	64.4%	42.0%	26.2%

Source: Masnick, Homeownership Trends and Racial Inequality In the United States in the 20th Century, 28.

Table 5. African American Homeownership In Five Major Cities, 1930

City	Total Homes	Total Owned	Percent Owned
New York	77,077	4,280	5.6%
Chicago	55,137	5,767	10.5%
Philadelphia	50,997	7,830	15.4%
Baltimore	33,102	3,793	11.5%
Detroit	25,656	3,841	15.0%

Source: Charles E. Hall, *Negroes in the United States, 1920-1932* (Washington D.C.: 1935; reprinted New York: Arno Press, 1969), 277.

Table 6. African American Homeownership In Three Major Cities, 1910-1930

City	1910	1920	1930
New York	2.5%	3.2%	5.6%
Chicago	6.3%	7.4%	10.5%
Philadelphia	5.0%	12.2%	15.4%

Source: Charles E. Hall, *Negroes in the United States, 1920-1932* (Washington D.C.: 1935; reprinted New York: Arno Press, 1969), 277.

Arthur Dingle was born in July 1871 in Manning, South Carolina. After working at a number of hotels up and down the East Coast, Dingle was drafted into the United States Army during World War I. In April 1918, Dingle's unit, 92nd Division, 368th Colored Infantry was shipped to Northern France to fight the Germans. Dingle's commander, a Tuskegee man, told him and the rest of his soldiers to "buy land…You must own property to be anything." After the War, in 1919, Dingle returned to Philadelphia and worked as a waiter. He settled in West Philadelphia and, a year later, heeding the advice of this commander, bought a house in a mostly white neighborhood in the area at a sheriff sale for $3,600. Dingle financed the purchase with a first mortgage loan and a second mortgage loan in the amount of $1,500, both obtained from Franklin Trust Company. After he had paid down the second mortgage to $450, Dingle attempted to pay off the remaining balance of high cost second mortgage. Franklin Trust Company informed him that he could not pay off the second mortgage until the first mortgage was paid off. Such a practice had the effect of locking Dingle into the high-cost second mortgage for an extended period of time and, thereby, increased the cost of his mortgages. In 1935, Dingle and thousands of other World War I veterans received a bonus for their military service. Dingle promptly used his bonus money to pay the outstanding balance of $200 of his first mortgage and $450 on the second mortgages. After fifteen years of making payments on two mortgages, Dingle finally owned his own free and clear.[386]

T.J. Woofter, Jr., study of African Americans in 1925, noted that African Americans were starting to use "their own financial institutions with greater confidence, both for depositing and for borrowing, as correct banking methods are established and the number of failures decreases."[387] Woofter noted that while African American financial institutions were not yet able to cover all of the mortgages demands of the African American community, the financial resources of such institutions were commencing to influence loans in a positive manner.[388] Nowhere was the development of African American institutions more pronounced than in Philadelphia where a large number of banks and building and loan associations for providing mortgage loans for the purchase of homes.

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[386] Hardy, *Race and Opportunity*, 191-93. Arthur Dingle was interviewed by Charles Hardy on June 6, 1979 and July 11, 1983.

[387] Woofter, *Negro Problems in Cities*, 144.

[388] Ibid., 143.

CHAPTER 4

AFRICAN AMERICAN BANKS IN PHILADELPHIA, 1888 TO 1930

In March 1874, in a desperate attempt to keep the Freedman's Savings and Trust Company solvent, officials elected the legendary abolitionist and foremost African American leader of the era, Frederick Douglass, as President of the institution. Just months into his tenure, after reviewing the bank's financials, Douglass understood, in his words, he was "married to a corpse" and recommended that the institution be closed.[389] On June 29, 1874, the Freedman's Savings Bank, the first financial institution many African Americans had ever known, and had accounts with, was closed. The dramatic collapse of the Freedman's Bank in 1874 left an indelible mark, both financially and psychologically, on the African American community. Throughout the south, thousands of ex-slaves lost their meager savings that they had deposited in the financial institution, often with the hope of eventually saving enough to purchase land or a home. Nor was the impact of the collapse limited to the south as the Freedman's Bank had a number of branches in the north, including one in Philadelphia.[390]

W.E.B. Du Bois, in slightly embellished language, commented on the overall impact of the disaster: "Not even ten additional years of slavery could not have done so much to throttle the thrift of the freedmen as the mismanagement and bankruptcy of the

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[389] Abby L. Gilbert, "The Comptroller of Currency and the Freedman's Savings Bank," *Journal of Negro History* 57 (April 1972): 130-31.

[390] Hardy, *Race and Opportunity*, 315. The Freedman's Bank branch in Philadelphia opened in 1870 and William Whipper served as cashier. Whipper was a wealthy African American merchant who was active in the abolition movement prior to the Civil War (ibid).

series of savings banks chartered by the Nation for their special aid."[391] In a rare instance of agreement, Booker T. Washington largely concurred with Du Bois' opinion, explaining that the failure of the Freedman's Bank caused enormous discouragement amongst African Americans.[392] It would be years before African Americans again came to have confidence in banks.

Yet out the ashes of the financial carnage, African Americans would again return to financial institutions. To many African Americans, Fredrick Douglass correctly surmised the primary problem of the Freedman's Bank, noting that it was the black man's cow but the white man's milk.[393] Douglass recognized that the leadership and management of the bank had been largely entrusted to white officials who in turn engaged in reckless speculative investments with money from the African American community. To avoid such a problem in the future, African Americans strove to create indigenous financial institutions that would facilitate the development of capital and credit for the black community. Such capital and credit was increasingly necessary not only to meet the financial needs of African Americans but also due to the general policy of white banks to discourage the deposit business of African Americans.[394] Furthermore,

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[391] W.E.B. Du Bois, *The Souls Of Black Folk* (New York: Bantam Books, 1903), 36.

[392] Booker T. Washington, *The Negro In Business* (New York: Hertel, Jenkins & Co., 1907), 110.

[393] Fredrick Douglas to Gerrit Smith, July 3, 1874, Smith Manuscripts, Syracuse University Library, cited in Carl R. Osthaus, *Freedmen, Philanthropy, and Fraud: A History of the Freedman's Savings Bank* (Chicago: University of Illinois Press, 1976), 1.

[394] Abram Harris, *The Negro as Capitalist: A Study of Banking and Business Among American Negroes* (New York: Negro Universities Press, 1936), 54.

even if white banks were willing to provide credit to African Americans, they did so at interest rates that were higher than the prevailing rate.[395]

The creation of indigenous financial institutions was spearheaded by leaders who were the epitome of W.E.B. Du Bois "Talented Tenth," consisting of lawyers, politicians, and educators. While such leaders came from varying ideological perspectives ranging from the accomodationist approach of Booker T. Washington to the civil rights agitation approach of Du Bois and William Monroe Trotter, each was a passionate advocate for racial advancement. While they had disagreements upon the strategic approach, each was in tactical agreement regarding the importance of economic development through indigenous institutions, such as banks, as a liberating pedagogy to white oppression. The founders of the "race banks" viewed such institutions as essential for the economic development of African Americans through the provision of capital for business development and mortgages for home ownership. Each viewed the "race banks," not as a simple business endeavor, but rather as an essential element of their overall civil rights ideology.

Fourteen years after the collapse of the Freedman's Bank, the Grand Fountain of the United Order of True Reformers, a black fraternal order founded by William W. Browne, a charismatic, ex-slave from Georgia, sought to establish a branch in Massingford, Virginia.[396] The new branch raised nearly one hundred dollars in

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[395] Ibid., 56.

[396] Ann Field Alexander, *Race Man: The Rise and Fall of the "Fighting Editor," John Mitchell, Jr.* (Charlottesville, VA: University of Virginia Press, 2002), 144-49. John Mitchell, Jr., born a slave, edited and published the Richmond *Planet* for forty-five years.

membership fees and placed the funds in the safe of a local white merchant. Alarmed by the large amount of money raised by a group of African Americans, the merchant promptly warned the white community, already in an aroused state due to a recent lynching in the area, of the danger of allowing African Americans to organize in such a manner.[397] Browne, recognizing the potential explosive nature of the situation, went to Massingford to ease the tension and resolve the problem. Upon his arrival, W. E. Grant, who was instrumental in organizing the local branch, suggested to Browne that the fraternal order should establish a bank. He explained his rationale: "If we had a bank of our own, the white people would not have any information about our [organizational] activities."[398]

After some deliberation, Browne agreed with Grant's suggestion and, on March 2, 1888, the General Assembly of Virginia surprisingly authorized a charter for the Savings Bank of the Grand Fountain United Order of True Reformers.[399] It was the first charter issued to a financial institution controlled by African Americans. According to Booker T. Washington, many members of the General Assembly "voted for it out of a spirit of fun, never expecting to see a real Negro bank in operation in Virginia."[400] To the consternation of such members, on April 3, 1889, the bank opened its doors for business

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He also founded the Mechanics' Savings Bank in 1901 in Richmond and guided it until its collapse in 1922. Ibid., 155-204.

[397] Arnett G. Lindsay, "The Negro in Banking," *The Journal of Negro History* 14 (Apr. 1929): 173.

[398] Ibid.

[399] Ibid.

[400] Washington, *The Negro in Business*, 110.

in Richmond and promptly received $1,269 in deposits. The bank was an immediate successful and by 1907 had deposits exceeding one million dollars, earning it the name of the "Gibraltar of Negro Business."[401]

In 1910, the General Assembly of Virginia established a state banking department to provide strict oversight to banks and perform on-site examinations. The new department, headed by Charles Barksdale, rapidly determined that a number of Virginia's banks were in dire financial positions. In just six months, he closed four of the eleven African American banks in Virginia, including the Savings Bank of the True Reformers. The sudden closure shocked the black community and became know as "the downfall of Africa."[402] According to the receiver, the bank had invested in a series of expense, ill-concieved projects and its officers were incompetent. The result was the savings of hundreds of families, churches, and fraternal organizations were wiped out by the collapse.[403]

While the Savings Bank of the Grand Fountain was the first to receive a charter, the first African American owned and operated bank was the Capital Savings Bank in Washington D.C. It opened for business on October 11, 1888, for the purpose of providing loans to African American businesses' otherwise denied credit by white

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401 Lindsay, "The Negro in Banking," 176-77.

402 Alexander, *Race Man*, 177.

403 Ibid., 177-78.

financial institutions.[404] The bank also was designed to serve a broad range of other needs in the African American community, as the bank explained:

> There was need also of an institution for savings that would reach the poorer classes of colored people, teach them the importance of being industrious, of seeking steady employment, of saving their money and getting homes, giving them an opportunity to pay for their homes in small installments, and teach the importance of fostering and building up strong business interests among ourselves.[405]

The bank was an unincorporated joint stock company with an authorized capital stock of $50,000 divided into five hundred shares with a par value of $500 per share.[406] At the time of its opening, approximately $32,000 of the available capital stock had been subscribed to by the public. The bank welcomed deposits for as little as ten cents and paid interest on all accounts over five dollars. After a successful marketing campaign through advertisements in the Washington *Bee*, an African American newspaper, the bank reported deposits of $117,000 in its first year of operation. By 1892, the deposits had increased to $317,276. In its first few years, the bank was profitable and paid large dividends to its shareholders.[407]

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[404] M. Sammye Miller, "An Early Venture in Black Capitalism: The Capital Savings Bank in the District of Columbia, 1888-1902," *Records of the Columbia Historical Society* 50 (1980): 362.

[405] Harris, *The Negro As Capitalist*, 104-05.

[406] Miller, "An Early Venture in Black Capitalism," 362.

[407] Ibid., 362-63.

At its inception, the bank was led by John Roy Lynch, a former slave born in 1847 at Vidalia, Louisiana.[408] He was later sold, with his mother, to a plantation in Natchez, Mississippi. With the arrival of the Union army in 1864, Lynch obtained his freedom and received an education at a local missionary school. After becoming active in Republican politics, he was appointed by Adlelbert Ames, military governor of Mississippi, as justice of the peace. Subsequently, he was elected to the Mississippi legislature and, at age 25, became speaker of the state House of Representatives. The following year, he was elected to United States House of Representatives where he served a total of three terms. During his career in Congress, Lynch played a significant role in the passage of the Civil Rights Bill of 1875 that banned discrimination in public accommodations and transportation. He also introduced legislation calling upon the United States to reimburse the depositors of the Freedman's Bank who lost their money in its collapse. At the conclusion of his political career, Lynch commenced the practice of law in Mississippi and opened a law office and the Capital Savings Bank in Washington D.C.

The bank survived the crippling economic crisis, known as the Panic of 1893, but by the turn of the century it was in imminent danger of collapse.[409] By then, it had over fourteen hundred account holders but its deposits had declined to $83,000. In November 1902, the bank refused to honor checks drawn on its accounts and, a short time later, was

[408] Phillip Dray, *Capital Men: The Epic Story of Reconstruction Through the Lives of the First Black Congressmen* (New York: Houghton Mifflin Company, 2008), 218.

[409] Miller, "An Early Venture in Black Capitalism," 363-65.

placed in receivership, concluding its affairs in 1904. The failure of the bank was largely attributable to the illiquidity of unprofitable commercial loans and misappropriation of funds by several of the bank's officers and directors.[410]

After the establishment of these institutions, African American banks, as E. Franklin Fraizer would later comment, "sprang up like mushrooms but died almost as rapidly as they were organized."[411] During the time period from 1888 through 1934, no less than 135 banks were founded by African Americans, including several in the City of Philadelphia.[412] Hailed around the country, the First Northern Colored Cooperative Banking Association, the first African American bank in Pennsylvania and the only such bank in the North at the time, was chartered on July 11, 1901.[413] The bank, located on South 20th Street, in the heart of the black community at the time, was operated on a cooperative plan as an auxiliary of the United Aid and Beneficial League of America, a black insurance and benefit society.[414] The bank had an authorized capital of $50,000 in shares at two dollars each. On its first day of business, the bank received thirty depositors with receipts in the amount of $796.21; later that evening it hosted a reception

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410 Ibid.

411 E. Franklin Fraizer, *Black Bourgeoisie* (Glencoe, IL: The Free Press, 1957), 39.

412 Armand J. Thieblot, Jr. & Linda Pickthorne Fletcher, *Negro Employment In Finance: A Study of Racial Policies in Banking and Insurance* (Philadelphia, PA: University of Pennsylvania Press, 1970), 183

413 Harris, *The Negro As Capitalist*, 124

414 "An Afro-American Bank Opens Up," *Baltimore Afro American*, September 28, 1901.

attended by 500 persons.[415] The bank was headed by John Clinton, Jr., a young man in his early thirties, who "preached the gospel of economic salvation through the establishment of financial and commercial organizations."[416] Clinton's philosophy was reflected in the bank's effort to appeal to the African American community was reflected in its motto: "Ours is best, because it's ours."[417] Just months later after such a grand beginning, however, the bank collapsed due to the poor management of its board of directors.[418] Fortunately, the depositors were returned their money and the shareholders capital was also returned in full.[419]

Five years later, the People's Savings Bank of Philadelphia was chartered by former Congressman George H. White.[420] Born a slave in Rosindale, North Carolina in 1852, White graduated from Howard University and was later admitted to practice law in North Carolina.[421] After working as an educator, White entered politics serving in the North Carolina House of Representatives and later as the Solicitor for the Second Judicial

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[415] Ibid.

[416] Samuel Reading, "Better Business: News & Comments from the World of Trade & Commerce," *Philadelphia Tribune*, 12 August 1937.

[417] "An Afro-American Bank Opens Up," *Baltimore Afro American*, September 28, 1901.

[418] "First Colored Bank North," *Baltimore Afro American*, January 4, 1902.

[419] Harris, *The Negro As Capitalist*, 124.

[420] George W. Reid, "The Post-Congressional Career of George H. White," *The Journal of Negro History* 61 (Oct. 1976): 371.

[421] Ibid., 362.

District before being elected to the first of two terms in the U.S. House of Representatives.[422]

As the lone African American member of Congress from 1897 to 1901, White aggressively fought to protect the civil rights of African Americans, most notably by proposing the first anti-lynching legislation in Congress.[423] Shortly after his election, in 1898, a race riot ensued in Wilmington, North Carolina led by a large group of whites intent on restoring white supremacy to a city that had a number of African American elected officials.[424] Mobs focused their attacks on African American property owners, destroyed the city's African American newspaper, and forced African American elected officials to resign their positions. While the coroner listed the official casualty total as fourteen, the exact number was certainly much larger with perhaps hundreds of African Americans killed. After the riot, nearly fifteen hundred blacks, mostly property owners, left Wilmington never to return. As the final act of "redemption," whites promptly confiscated the properties abandoned by African Americans for unpaid taxes.[425] Such a sordid event combined with legislation enacted that further restricted the suffrage rights of African Americans convinced White not to seek re-election and to leave the South. As he bluntly explained: "I can no longer live in North Carolina and be a man."[426]

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[422] Ibid.

[423] Dray, *Capital Men*, 346.

[424] Litwack, *Trouble in Mind*, 312-13.

[425] Ibid., 314.

[426] Ibid.

White delivered his final address to Congress on January 29, 1901. In words that would be later invoked by the first African American President of the United States, Barack Obama, when he addressed the Congressional Black Caucus in the fall of 2009, he eloquently stated:

> This, Mr. Chairman, is perhaps the Negroes' temporary farewell to the American Congress but let me say Phoenix-like he will rise up some day and come again. These parting words are in behalf of an outraged, heart-broken, bruised and bleeding but God-fearing people, faithful, industrial, loyal people, rising people, full of potential force.[427]

It would be over seventy years before White's words were fulfilled in the South with the election to Congress of Andrew Young from Georgia and Barbara Jordan from Texas in 1973.[428]

At the conclusion of his term in 1901, White left North Carolina and moved to Washington, D.C. to practice law. More importantly, motivated by the Wilmington race riot, he became involved in real estate with the hope of establishing an all-African American community that would be free from the injustices of white supremacy. Along with several other investors, including the famed poet Paul L. Dunbar, White purchased two thousand acres of land in Cape May County, New Jersey and established the town of Whitesboro.[429] The George H. White Land Improvement Company sold houses on lots starting at a mere fifty dollars with an initial payment of five dollars and subsequent monthly payments ranging from two to five dollars.[430] By 1906, over eight hundred

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[427] Dray, *Capital Men*, 351.

[428] Ibid., 345-46.

[429] Reid, "The Post-Congressional Career," 365.

African Americans resided in Whitesboro supporting a school, two churches, a railway station, a hotel owned by White, and a post office.[431] Approximately 95 percent of the African American residents of Whitesboro were homeowners.[432]

During his years in Washington D.C., White's law office was located in the same building as the Capital Savings Bank, which at the time was headed by another former Congressman: John R. Lynch.[433] Inspired by such an establishment and convinced of the importance of property ownership, in 1906, White relocated to Philadelphia determined to establish a bank that would assist African Americans in purchasing homes and developing businesses that were otherwise denied credit by white owned banks.[434] White's decision to relocate to Philadelphia was motivated by its relatively large number of African American professions and businesses possessing capital and requiring credit yet no African American banks.[435] One estimate concluded that by 1906, African Americans had at least five million dollars deposited in white banks in Philadelphia.[436] Furthermore, he could continue his law practice as one of only fourteen African

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[430] Ibid., 365.

[431] Ibid., 365, 369.

[432] Ibid., 369.

[433] Ibid., 364.

[434] Linn Washington, "Blacks Controlled Finances Since Turn of Century," *Philadelphia Tribune*, February 9, 1990.

[435] "The Marvelous Growth of The Peoples Savings Bank," *Philadelphia Tribune*, January 23, 1915.

[436] "Citizens & Southern Survived Depression of Early 30's," *Philadelphia Tribune*, April 26, 1955.

American lawyers in Philadelphia in 1908.[437] White's vision became a reality when the People's Savings Bank officially opened for business on January 11, 1908 at 1428 Lombard Street.[438] White invested at least $10,000 of his own money into the project and worked without compensation.[439] The bank also had daily hours of 9:00 a.m. to 3:00 p.m. except for Saturdays when it was opened from 9:00 a.m. to 12:00 p.m. To appeal to the black working class, the bank also had evening hours on Thursday and Saturday from 6:00 p.m. to 8:00 p.m.[440]

Approximately a year later, White and the bank's directors purchased and, at a considerable expense, remodeled, a building located at 1508 Lombard Street, in the heart of the emerging African American business district.[441] The three-story structure was occupied by the bank and White's law office on the first floor and the upper two floors were rented to other small businesses and as apartments.[442] In an attempt to attract customers, the People's Savings Bank advertised regularly in the *Philadelphia Tribune,* promising 3 percent interest on all deposits.[443] Perhaps cognizant of the distrust African

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[437] Reid, "The Post-Congressional Career," 370.

[438] Ibid., 371-72.

[439] "Dissolution Of Peoples' Savings Bank of Philadelphia, Pa.," *Baltimore Afro-American*, February 22, 1918.

[440] *Philadelphia Tribune*, June 29, 1912.

[441] "The Marvelous Growth of The Peoples Savings Bank," *Philadelphia Tribune*, January 23, 1915.

[442] Ibid.

[443] *Philadelphia Tribune*, June 29, 1912.

Americans exhibited toward banks as a legacy of the Freedman's Bank debacle, the bank's managers placed advertisements noting that its officers were fully bonded under the banking laws of Pennsylvania.[444] The bank was administered by some of the leading black businessmen and professionals in Philadelphia.

The bank functioned primarily as a savings bank with a nickel deposit sufficient to open an account and a dollar deposit entitling the account holder to a bank book.[445] The bank balanced all accounts every six months on which 3 percent interest was paid, compounded semi-annually. It also accommodated African American businesses and required a fifty dollar daily balance on such accounts. The bank also had a special savings account for children in an effort "to inoculate the habit of thrift in the heart of the young."[446] In 1912, the *Philadelphia Tribune* proclaimed the People's Savings Bank was "A Grand Success," announcing that its volume of business was over one million dollars.[447] The African American community in Philadelphia was urged to assist in the "grand work" of the bank by opening an account. The paper announced "it was a duty of every colored citizen having a bank account, to patronize and support this bank operated for our people by our people."[448] In January 1914, the bank held its annual meeting

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[444] Ibid.

[445] "Peoples Saving Bank A Grand Success," *Philadelphia Tribune*, May 4, 1912.

[446] "The Marvelous Growth of The Peoples Savings Bank," *Philadelphia Tribune*, January 23, 1915.

[447] "Peoples Saving Bank A Grand Success," *Philadelphia Tribune*, May 4, 1912.

[448] Ibid.

where it was reported to be in “a flourishing condition,” with its assets doubling from the previous year to nearly $12,000.[449] The paper again exhorted African Americans to support the bank, proclaiming: “Here, let us build our ‘Rock of Gibraltar,’ and float from her summits to all the world our victorious banners of success.”[450] Just one year later, by January, 1915, the Bank reported that it handled over three million dollars.[451]

Just as rapidly as it had achieved success, however, it suffered an equally rapid collapse as the bank was liquidated in February 1917 and formally dissolved in April 1918.[452] The *Baltimore Afro American* reported that the bank was forced to dissolve because its depositors failed to keep their money in the bank for a sufficient period of time to allow it to invest the money.[453] Furthermore, it reported that the structure of the bank was problematic as its charter was described as “unelastic and unsuited for the needs of our people.”[454] Despite such problems, it reported that no depositor suffered any losses and the collapse was not caused by any act of dishonesty or corruption on the part of White or the bank’s officers and directors. The paper, while not criticizing White by name, implicitly did so by stating that few men are capable of success in more than one

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[449] “The Peoples’ Saving Bank: Submits its Annual Statement and Election of Officers,” *Philadelphia Tribune*, January 17, 1914.

[450] Ibid.

[451] “The Marvelous Growth of The Peoples Savings Bank,” *Philadelphia Tribune*, May 4, 1912.

[452] Reid, “The Post-Congressional Career,” 371

[453] “Dissolution of Peoples’ Savings Bank Of Philadelphia, Pa.,” *Baltimore Afro-American*, February 22, 1918.

[454] Ibid.

profession. It noted that some professions, such as banking, require the "devotion of all our energies and our greatest and best efforts."[455] White, whose declining health may have also contributed to the demise of the bank, died a short time later at the age of sixty-six.

The failure of the Peoples Savings Bank did not deter African Americans in their efforts to establish a financial institution in Philadelphia. Such efforts were driven in large part by growing demand for such an institution as the African American population expanded significantly as increasing numbers of migrants arrived from the South. Such an increasing population found limited banking service options at the traditional white-owned financial institutions. In 1914, the *Philadelphia Tribune* argued that an African American population of ninety thousand should be sufficient to support three or four banks.[456] Responding to such a demand, in the early 1920s, three African American banks opened in quick succession in Philadelphia, including the Brown and Stevens Bank, founded by Edwin C. Brown and Andrew F. Stevens; Keystone Cooperative Bank, established by John C. Asbury; and the Citizens and Southern Bank and Trust Company under the direction of by R. R. Wright, Sr.

Edwin C. Brown, born in Philadelphia in 1877, attended Spencerian Business College and subsequently worked in Indianapolis, Indiana as an agent for *The Freedman*, one of the leading African American newspaper in the country.[457] Later, he returned to

[455] Ibid.

[456] "The Peoples' Saving Bank: Submits its Annual Statement and Election of Officers," *Philadelphia Tribune*, January, 17 1914.

Philadelphia and worked for Dun & Co., the first commercial reporting agency in the United States then he journeyed to Newport News, Virginia to enter the real estate business.[458] A short time later, Brown opened his first bank, the Crown Savings Bank and, later, he opened, the Brown Savings and Banking Company in Norfolk, Virginia.[459] He also served a president of the Beneficial Insurance Company in Norfolk.[460] After seventeen years in Virginia, Brown decided to return to his home town of Philadelphia with the intention of establishing a real estate company and another bank.

Shortly after his arrival in Philadelphia, Brown found a partner for his endeavor in Andrew F. Stevens, a graduate of both Lincoln University and the University of Pennsylvania.[461] Stevens, the son of a wealthy caterer, was a politician who served as a City of Philadelphia councilman in the late nineteenth century.[462] On January 1, 1916, in an advertisement that appeared on the front page of the *Philadelphia Tribune*, the

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[457] "Brown and Stevens Have Pioneer Bank of North," *Pittsburgh Courier*, October 6, 1923; "Death Closes Former Banker Brown's Accounts" *New York Amsterdam News*, February 1, 1928.

[458] "Brown and Stevens Have Pioneer Bank of North," *Pittsburgh Courier*, October 6, 1923.

[459] "Death Closes Former Banker Brown's Accounts," *New York Amsterdam News*, February 1, 1928. After Brown's departure, the Brown Savings Bank was reorganized with new management as the Metropolitan Bank and Trust Company. Lindsay, "The Negro in Banking," 190.

[460] "Death Closes Former Banker Brown's Accounts," *New York Amsterdam News*, February 1, 1928.

[461] "Brown and Stevens Have Pioneer Bank of North," *Pittsburgh Courier*, October 6, 1923.

[462] "Services Held for Former Banker Here," *Philadelphia Tribune*, March 13, 1951.

partners announced the opening of Brown and Stevens, Bankers.[463] Brown and Stevens announced that the new bank would provide a variety of services, including transacting regular commercial banking business, accepting deposits subject to check, and buying and selling commercial paper mortgages.[464] The partners sought to urge all members of the African American community to participate in the new endeavor regardless of their individual financial worth. In a question, the new bank declared to its prospective customers: "Decide today that you are going to do some banking business with some colored bank. It will be the wisest thing you ever did. Will You Do It?" [465]

The bank opened its office in downtown Philadelphia at the corner of Broad and Lombard Streets, in the black business district. The three-story building consisted of the bank and office space and apartments that were leased.[466] One of the bank building's offices was leased by a young African American lawyer, Raymond Pace Alexander, who had just passed the bar and was opening his own practice in Philadelphia.[467] The bank met with immediate success, and within several years the managers entertained the possibility of establishing a title and trust company "to assist the colored real estate men and home buyers in financing their investments; thus, making it much easier for our

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[463] "Another Colored Bank for Philadelphia," *Philadelphia Tribune*, January 1, 1916.

[464] Ibid.

[465] Ibid.

[466] "Brown and Stevens' Bank is Sold at Auction for $94,000," *Pittsburgh Courier*, August 15,1925.

[467] David A. Canton, "The Origins of a New Negro Lawyer: Raymond Pace Alexander, 1898-1923," *The Western Journal of Black Studies* 27 (2003): 135.

people to acquire homes."[468] Ultimately, they decided against forming such an entity, but still it prospered, opening two additional branch offices, one in West Philadelphia and one in North Philadelphia.

By 1921, the institution was such a success that Brown was being hailed as a "Napoleon of Finance" possessing "astonishing courage" and intellect.[469] Even white bankers and real estate professionals viewed him as "something of a financial wizard."[470] While not a blatant "race" man in the classic mold, Brown possessed the desire to serve his "race" as well as the public good based upon a course of economic development.[471] He also reaped the rewards of his success. At his death in 1928, the *New York Amsterdam News* stressed his extravagant lifestyle, including several cars, servants, a expensive wardrobe, and a "palatial" home in West Philadelphia.[472]

Like Brown, Stevens was also a "race" man. In stark contrast to Brown's approach, Stevens zealously advocated for the civil rights of African Americans through the political process. In particular, Stevens, buoyed by success of the bank, was elected to the Pennsylvania House of Representatives in 1920. Upon his arrival in Harrisburg,

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[468] "Gigantic Title and Trust Company to Be Launched" *Philadelphia Tribune*, November 27, 1920.

[469] "A Napoleon of Finance," *Philadelphia Tribune*, October 22, 1921.

[470] Harris, *The Negro As Capitalist*, 143.

[471] "A Napoleon of Finance," *Philadelphia Tribune*, Oct. 22, 1921. See St. Clair Drake and Horace A. Cayton, *Black Metropolis: A Study of Negro Life in a Northern City* (New York: Harcourt, Brace, 1945).

[472] "Death Closes Former Banker Brown's Accounts," *New York Amsterdam News*, February 1, 1928.

along with another recently elected African American banker, John C. Asbury, one of his main legislative goals was to secure passage of a strong equal rights bill in Pennsylvania.[473] Stevens' "personal magnetism" combined with a "real ability" made him a "forcible power" in the legislature.[474] He used "all of his strength and influence" to back a bill introduced by Asbury to prohibit discrimination in public accommodations.[475] Stevens vigorously urged African Americans to fight for the measure with stridently militant rhetoric. Addressing a crowd in Coatesville, Pennsylvania, Stevens stated that he did not favor the use of force but declared that "it is force which runs the world and when the time comes that the negro remembers the affronts to which he has been subjected, then he will get his rights."[476] He explained that African Americans must stand united and exercise their political strength in order to obtain passage of the bill. He also directly challenged the argument that African Americans were inferior to whites and not entitled to civil rights protection, explaining: "I don't feel that any white man God ever made is better than I am."[477] Ultimately, despite his efforts, the equal rights bill died when the Pennsylvania Senate decisively refused to entertain the bill.[478]

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[473] "A. F. Stevens and J. C. Asbury Begin Their Legislative Careers Next Monday," *Philadelphia Tribune*, January 1, 1921.

[474] "Senator Edwin Vare Enters Fight for Equal Rights Bill Offered by Hon. John C. Asbury, Of This City, Now Before The Committee of State Legislature," *Philadelphia Tribune*, March 19, 1921.

[475] Ibid.

[476] "Multitude Cheer Andrew F. Stevens at Coatesville," *Philadelphia Tribune*, April 16, 1921.

[477] Ibid.

While the equal rights bill failed, Stevens was successful with a second piece of major civil rights legislation. During the time period from 1880 through 1930, at least 3,344 African Americans were lynched in the United States, often by violent mobs.[479] While the practice was largely confined to the South, it also occurred, on occasion, in the North. In 1911, Zachariah Walker, a recent migrant from Virginia, was lynched in a gruesome manner in Coatesville, Pennsylvania, approximately forty miles from Philadelphia.[480] On August 12, 1911, Walker, after an evening of drinking, got into an altercation with Edgar Rice, a special police officer for a local steel mill. Each drew a gun, and Rice was shot and killed. Walker fled and unsuccessfully attempted to commit suicide by shooting himself. He was captured and taken to the Coatesville Hospital for the treatment of his self-inflicted gunshot wound. A short time later, a mob formed and marched to the hospital. Walker was dragged from a hospital bed and, as he was carried to a field, he pleaded with the mob, asking: "Don't give me a crooked death because I'm not white."[481] Ignoring his pleas, the mob tied Walker to a fence, surrounded him with firewood, and doused him with oil. In a macabre scene that rivaled the brutalities of the South, Walker was burned alive before a crowd that had swelled to 5,000 people. After

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[478] "Asbury's Equal Rights Bill Killed in State Senate; Opposition of Sen. Penrose Cause of Defeat," *Philadelphia Tribune*, April 23, 1921.

[479] W. Fitzhugh Brundage, *Lynching in the New South: Georgia and Virginia, 1880-1930* (Urbana, IL: University of Illinois Press, 1993), 8.

[480] Phillip Dray, *At The Hands of Persons Unknown: The Lynching of Black America* (New York: Random House, 202) 179.

[481] Ibid.

the flames cooled, members of the crowd plucked Walker's fingers and toes as souvenirs.[482]

For a number of years civil rights advocates, led by such people as Ida B. Wells-Barnett, Walter White, and Jesse Daniel Ames, unsuccessfully sought federal legislation to stop the practice of lynching. In response to such an atrocity and due to the failure to implement a federal ban, Stevens introduced an anti-lynching bill, largely patterned after the proposed federal bill, in to the Pennsylvania House of Representatives.[483] On April 27, 1923, after four hours of debate before a capacity gallery, the bill was passed, after a number of amendments were defeated, with only one dissenting vote. The bill was also passed by the Pennsylvania Senate and was signed into law by Governor Gifford Pinchot. Stevens was praised for his skillful engineering of the passage of the bill, a tribute to his "remarkable tact and efficiency as a law-maker."[484]

Building upon their growth and success, Brown and Stevens decided to turn the branch in North Philadelphia into a second bank.[485] In June 1923, Brown and Stevens received a charter from the Commonwealth of Pennsylvania for a second bank, Cosmopolitan State Bank, and opened it for business on March 31, 1924, on the corner of

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[482] Ibid. See also Dennis Downey and Raymond Hyser, *No Crooked Death: Coatesville, Pennsylvania and the Lynching of Zachariah Walker* (Urbana, IL: University of Illinois, Press, 1991).

[483] "Anti-Lynching Bill Passed," *Chicago Defender*, April 28, 1923.

[484] Ibid.

[485] "Brown and Stevens, Bankers, Organize a New State Bank for North Philadelphia," *Philadelphia Tribune*, December 15, 1923.

Ridge Avenue and Master Street.[486] The new bank had capital stock in the amount of $50,000 and, like the original bank, Brown served as President and Stevens as Vice President.[487] Furthermore, Brown, Stevens, and another close associate possessed a controlling interest in the bank's stock thereby giving the partners the authority to direct the new entity at their discretion.[488]

The banks successes were in no small manner attributable to an aggressive marketing campaign that routinely consisted of full page newspaper advertisements, designed to educate, and cajole the African American community into joining the bank. The advertisements appealed to African American solidarity, explaining that "Loyalty Is A Fine Thing."[489] The banks demonstrated their loyalty by employing African Americans; by allowing for wealth accumulation through interest on deposits; by providing assistance to African Americans who needed money to finance a business or a home, and to put more money into the African American community through salaries, dividends, interest and investments. The partners also recognized that the past bank failures had created a degree of distrust in the African American community. To alleviate such skepticism, the partners' marketing campaign sought to restore the confidence of customers in an African American banks. For example, one advertisement noted that Brown and Stevens was "growing faster than any Colored bank in the

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[486] Harris, *The Negro As Capitalist*, 126.

[487] Ibid.

[488] Ibid.

[489] *Philadelphia Tribune*, March 1, 1924.

Country" because it offered both confidence and security.[490] With a motto of "We Guard Your Interests" surrounding the image of a bull dog, the advertisement explained that both Brown and Stevens were well-known in business and bank circles in Philadelphia and that such strong evidence existed of their reliability that potential customers should have absolute confidence in their integrity and good judgment. It noted that, as a private bank, it was required to deposit $10,000 to $50,000 as security for its deposits with the Pennsylvania Department of Banking and, it incorrectly stated, that it was required to submit to periodic examinations by the Commonwealth. Finally, it urged customers to exercise self-reliance and act for themselves in deciding whether to make a deposit as the opinions of others may be "prejudiced."[491]

The campaign bore fruit and by the end of 1923 the *Pittsburgh Courier* proclaimed that Brown and Stevens was soon to be ranked as a "national institution" as "its financial power is being used in all parts of the country to help the worthy responsible citizens who may call upon its resources," including: southern farmers; northern business men; real estate entrepreneurs; and theater companies.[492] Both banks grew rapidly and, at their peak, they had combined assets of over $1,500,000 with approximately eleven thousand depositors.[493] The success of their marketing campaign

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[490] *Philadelphia Tribune*, November 11, 1916.

[491] Ibid.

[492] "Brown and Stevens Have Pioneer Bank of North," *Pittsburgh Courier*, October 6, 1923.

[493] Harris, *The Negro As Capitalist*, 127-28.

to attract new customers was reflected in the fact that at least a third of their customers had small deposit accounts of less than three dollars.

The Brown and Stevens Bank, hailed as a "monument to racial enterprise," also had a larger impact upon the African American community in Philadelphia, as it "inspired the confidence of the whole race."[494] Indeed, Broad and Lombard Streets, the location of the bank's main office, represented the epicenter of a rapidly emerging African American business district that was determined "to acquire and control a larger share of the business patronage of their own people."[495] The district contained a vast array of businesses, churches, hotels, clubs, fraternal organizations, and private enterprises. Such enterprises owned property in a combined amount of over ten million dollars. The spectacular rise of Brown and Stevens' banks would, unfortunately, be mirrored by an equally dramatic fall.

In early February 1925, rumors began to circulate in Philadelphia that the Brown and Stevens Bank was facing financial difficulties. One rumor maintained that the bank had invested heavily in the failed Black Star Line Steamship Company of black nationalist Marcus Garvey, and another maintained that the bank had been unable to meet a $20,000 withdraw request from a large depositor.[496] As the rumors spread rapidly through the African American community, on Saturday, February 7, numerous depositors

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[494] "Run Causes Brown & Stevens Bank to Crash," *Philadelphia Tribune*, February 14, 1925; "Our Business and Professional Men and Women," *Philadelphia Tribune*, October 16, 1920.

[495] Ibid.

[496] "$20,000 Depositor Started Bank Run," *Baltimore Afro-American*, February 21, 1925.

began withdrawing their money from the bank. When the bank opened for business on Monday, a line of depositors had gathered outside it, and the pace of the withdrawals accelerated into a classic run on the bank.[497] The bank was able to meet the demands of the depositors for several hours until it ran out of money.

In a desperate attempt to stop the run, Brown and Stevens telegraphed the *Baltimore Afro-American* to explain that a "malicious rumor" was responsible and that it was "being taken care of."[498] When crowds again gathered in the rain outside the bank the next day, it became apparent that such pleas were insufficient to stop the run. With no money to pay the depositors, Brown stated: "The bank is now closed. We have agreed to turn its affairs over to the depositors, who will reorganize it and pay dollar for dollar. Mr. Stevens and I are through."[499]

The reorganization effort commenced immediately with the convening of a meeting of Brown, Stevens, and a number of leaders of the African American community, including: B. G. Collier, Grand Chancellor of the Knights of Pythias; Reverend Charles A. Tindley, head of the East Cavalry Methodist Church, Reverend Wesley F. Graham, head of the Holy Trinity Baptist Church, and L. R. Moore, a former dean of Howard University.[500] Initially, the group discussed the viability of raising

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[497] "Run Causes Brown & Stevens Bank to Crash," *Philadelphia Tribune*, February 14, 1925.

[498] "Rumor Causes Run On Brown and Stevens Bank," *Baltimore Afro-American*, February 14, 1925.

[499] "Brown and Stevens' Bank Fails," *Pittsburgh Courier*, February 14, 1925.

enough money to keep the bank solvent. However, when it became clear that such a possibility was not likely, the group decided, as a last resort to save the bank "for the colored race," to convene a meeting with depositors to develop a plan to rescue the institution.[501] Approximately eight hundred depositors gathered at the Knights of Pythias Hall and listened to a number of speakers imploring racial solidarity in support of the bank.[502] The final speaker of the evening was Brown. He pled for more time to liquidate his assets and "pledged that he would sell everything he possessed, even the coat off his back, so that every depositor would have every penny put into the bank returned to them."[503] At the end of his speech, Brown broke down and cried.

The last ditch effort was unsuccessful, and Stevens and Brown voluntarily requested that a receiver be appointed to handle the affairs of the bank in order to best protect the interests of the depositors.[504] William H. Smith, Deputy Secretary for Pennsylvania Department of Banking, was appointed as the voluntary receiver of the bank and Fred Posey, Deputy Attorney General of Pennsylvania was selected as his

[500] "Run Causes Brown & Stevens Bank to Crash," *Philadelphia Tribune*, February 14, 1925.

[501] Ibid.

[502] "Rumor Causes Run On Brown and Stevens Bank," *Baltimore Afro-American*, February 14, 1925.

[503] "Run Causes Brown & Stevens Bank to Crash," *Philadelphia Tribune*, February 14, 1925.

[504] Ibid.

counsel.[505] In February 1925, an involuntary petition in bankruptcy was filed and the epic collapse of the Brown and Stevens Bank was complete.

According to a bank employee, Cosmopolitan State Bank was in “good shape” until Brown and Stevens Bank collapsed.[506] With the collapse, many of Cosmopolitan’s 3,000 depositors, understanding the relationship between the two institutions, began withdrawing their funds. Later, on February 20, 1925, the Pennsylvania Department of Banking discovered that Cosmopolitan had over $38,000 deposited in the failed Brown and Stevens Bank. With the assets of Brown and Stevens tied up in real estate, it became clear that Cosmopolitan would not be able to obtain the $38,000 deposit that was necessary to address the withdrawals of its customers and the bank was ordered closed by the Pennsylvania Department of Banking. While the intertwined relationship of the two banks was not necessarily illegal, George W. Brown, Jr., the Chief Banking Examiner for the Pennsylvania Department of Banking, declared that such a practice showed “poor judgment” and noted that it “was an unusual procedure for the president of the bank to make large deposits in another bank of which he is a partner.”[507] The Cosmopolitan State Bank never opened its doors again.

Unfortunately, Brown’s “poor judgment” was not limited to a single loan or simple misfeasance. Brown and Stevens, individually, borrowed large amounts of monies from their own banks to engage in real estate speculation and to finance other companies owned and operated by them. In particular, Brown was a patron of the arts

[505] “Brown and Stevens’ Bank Fails,” *Pittsburgh Courier*, February 14, 1925.

[506] “Second Philly Bank Fails,” *Baltimore Afro-American*, February 21, 1925.

[507] Ibid.

and possessed a passion for African American theater.[508] To further develop African American drama, he operated and financed the construction of five major theaters. For example, Mr. Brown established the Dunbar Amusement Corporation that built a theater on the southwest side of Broad and Lombard Streets in Philadelphia at an astonishing cost of $400,000 and the Douglass Amusement Corporation built and operated the Douglas Theater in Baltimore, Maryland at a cost of $327,000.[509] Likewise, the Peyton Apartments Corporation and the Hillman Real Estate Company were established to purchase and operate apartments for African Americans in New York City.[510] Such endeavors were financed by depositors' funds and an intricate web of interrelated mortgages. For example, the bank's main building had six different mortgages.[511] As a result, when the run on the bank commenced, its assets were tied up in such illiquid assets—theaters and real estate—and, to compound the problem such assets were heavily mortgage. The combination of illiquid assets and heavily mortgaged properties made it impossible to raise capital to stem the run and save the bank.

After briefly contesting the involuntary bankruptcy, on October 27, 1926, Brown and Stevens were legally adjudicated bankrupt.[512] All of the assets of the banks as well

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[508] "Death Closes Ex-Bankers Account," *New York Amsterdam News*, February 1, 1928.

[509] Orrin Evans, "Only $5.93 Left of the Million Dollars E.C. Brown Amassed in Theatre Projects," *Baltimore Afro-American*, May 6, 1933.

[510] Harris, *The Negro As Capitalist*, 130.

[511] "Brown and Stevens' Bank Sold at Auction for $94,000," *Pittsburgh Courier*, August 15, 1925.

as a number of the personal assets of Brown were liquidated in an effort to raise monies to repay the depositors. The receivers were eventually able to salvage approximately $100,000 of the bank's assets.[513] The receiver made three dividend payments of 4 percent each, totaling $65,000 to the depositors.[514] When the bankruptcy was finally concluded in 1931, a total of 1,866 depositors with balances less than six dollars were paid in full and the rest simply lost their monies.[515]

After the collapse and demise of Brown and Stevens Bank and Cosmopolitan State Bank, Brown moved to New York City and opened a small real estate office with some modest success.[516] With his health steadily failing him, he died a couple years later in January 1928 at the age of 52. Stevens remained in Philadelphia and went on to become the first African American supervisor employed by the United States Census Bureau.[517] After a long illness, Stevens died in 1951 in Philadelphia at the age of 81.[518]

The saga of the collapse of Brown and Stevens was followed by African Americans throughout the United States. Even Marcus Garvey weighed in on the issue

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[512] Harris, *The Negro As Capitalist*, 141.

[513] "$900,000 is Lost in Brown and Stevens Smash," *Baltimore Afro-American*, May 23, 1931.

[514] Ibid.

[515] Orrin Evans, "Bankruptcy Referee Announces Brown & Stevens Affairs Will Be Wound Up Within Few Months," *Philadelphia Tribune*, May 14, 1931.

[516] "E.C. Brown Prospers," *Pittsburgh Courier*, January 9, 1926.

[517] "Negro Census Supervisor is Lauded By White Employees," *Philadelphia Tribune*, April 17, 1930.

[518] "Service Held for Former Banker Here," *Philadelphia Tribune*, March 13, 1951.

explaining that the collapse was caused not by mismanagement but reflected "the determination of white business interest that had the power to crush them and used it."[519] Garvey was of the opinion that: "He [White man] will permit little banks, little shops, and little companies, because in those cases the surplus drifts back into his pocket, but attempt to do anything that will guard that surplus for yourself and he will do what he did to . . . Brown and Stevens."[520] Ultimately, however, Garvey was incorrect as it was mismanagement that was responsible for the collapse. As Peter G. Cameron, Pennsylvania Department of Banking Commissioner, stated: "This is the worst attempt at banking I have ever seen"[521] While no outright fraud or theft was committed by either Brown or Stevens, the reckless and speculative nature of their actions resulted in the collapse of the bank and thousands of dollars in losses to its African American depositors.[522] Richard Robert Wright, Sr., head of the Citizens' and Southern Banking Company who rejected a request to take over Brown and Stevens, explained: "the failure of Brown and Stevens will noticeably affect the other banking institutions not only in this city by throughout the country."[523]

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[519] "Garvey, In Atlanta, Trembles for Liberia's Future," *Pittsburgh Courier*, April 3, 1926.

[520] "Can Marcus Garvey Return?" *Philadelphia Tribune*, September 27, 1928.

[521] "Death Closes Former Banker Brown's Accounts," *New York Amsterdam News*, February 1, 1928.

[522] Harris, *The Negro As Capitalist*, 142.

[523] "Brown and Stevens' Bank Fails," *Pittsburgh Courier*, February 14, 1925.

In 1921, inspired by the success of the Brown and Stevens Bank which was then at the zenith of its prestige, John C. Asbury established the Keystone Cooperative Banking Association in Philadelphia in 1921. Asbury was born on April 9, 1962 in Washington County, Pennsylvania.[524] After graduating from the local public schools, Asbury attended Washington and Jefferson College and the Howard University Law School. After the completion of his studies, Asbury practiced law in Norfolk, Virginia for twelve years and served as District Attorney for Norfolk County from 1886 to 1891. Subsequently, he moved to Philadelphia and was admitted to the bar in May 1897. He served as Assistant City Solicitor from 1917 to 1921 and was elected to the Pennsylvania House of Representatives in 1921, with Andrew F. Stevens, where he served until 1925.[525]

Asbury was also a close friend and confidant of Booker T. Washington. With no mass following in Philadelphia, Asbury was Washington's foremost lieutenant in the area.[526] Asbury believed that Washington was, "thoroughly sound upon every question affecting the progress of the Race" but "just a little more diplomatic than the rest of us and consequently more successful."[527] He was a large contributor to Washington's

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[524] "John C. Asbury Heads Sesqui-Centennial," *Pittsburgh Courier*, August 8, 1925.

[525] Ibid.

[526] Louis R. Harlan, *Booker T. Washington: The Wizard of Tuskegee, 1901-1915* (New York: Oxford University Press, 1983) 96, 101.

[527] Ibid., 75-76.

Tuskegee Institute and delivered its commencement address in 1909.[528] Asbury also served as Secretary for the Downingtown Institute, an industrial school like Tuskegee, located outside of Philadelphia.[529] In return for his solid support, Washington helped engineer Asbury's reelection to the post of editor of the *Odd Fellows Journal,* the publication arm of one of the largest fraternal organizations in the United States, in 1906 and again in 1908.[530] With a loyal supporter in such a position, Washington was assured that his message would reach a wide audience even if he lacked a mass following in some of the urban areas of the North.

While Asbury certainly supported Washington and his position on racial issues, Asbury also embraced a vigorous campaign for civil rights much in tradition of W.E.B. Du Bois. While de jure segregation did not exist in Pennsylvania, the rising tide of migration from the South, particularly in Philadelphia, had the effect of exacerbating racial prejudice and tensions. Such tensions were reflected in the rise of de facto segregation with African Americans being banned or segregated in many public accommodations in Philadelphia, including: schools restaurants, hotels, and some theaters.[531] As described by Raymond Pace Alexander, a prominent African American lawyer:

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[528] "John C. Asbury Heads Sesqui-Centennial," *Pittsburgh Courier*, August 8, 1925.

[529] Ibid.

[530] Harlan, *Booker T. Washington: The Wizard of Tuskegee*, 101-03.

[531] Gregg, *Sparks From The Anvil of Oppression*, 206.

> In 1923 . . . every central city theatre, motion picture as well as legitimate playhouse, had a pronounced policy of discrimination against Negro patrons. In the theatres that had but a one floor seating arrangement, a section in the rear of the theatre, the most uninviting side, was reserved for Negroes. In neighborhood houses, in white sections of Philadelphia and in the outlying districts, they simply refused to admit people of color at all even on a discriminatory basis and made no bones about it. [532]

Nor was Asbury personally immune from the expanding reach of racial segregation. Shortly after his election to the Pennsylvania House of Representatives in 1921, Asbury and a number of other political dignitaries were invited to attend the grand opening of the new Stanley Theater and were given tickets for seats in first several rows.[533] Upon his arrival, rather than being seated in the sixth row as his ticket stated, Asbury was told by an usher to go up to the balcony whereupon he was directed to the gallery. As it was reported in the *Philadelphia Tribune*: "Mr. Asbury, wishing to see just what the management would do, followed the usher until he reached the very last row in the gallery and was told, 'This is your seat.' Mr. Asbury looked at the situation of the seat, and realizing just what was meant left the building."[534]

To counter such rampant discrimination, Asbury immediately introduced a carefully prepared bill in the House of Representatives that became know as the Asbury Equal Rights Bill designed to guarantee equal civil rights for all the citizens of

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[532] Raymond Pace Alexander, *The Struggle Against Racism in Philadelphia: From 1923-1948*, 1950, Raymond Pace Alexander Papers, box 100, folder 56, University of Pennsylvania Archives and Records Center.

[533] "Stanley Theatre Opens its Doors to the Public—But Closes Them to Negroes. Hon. John C. Asbury, Lawyer and Legislator, Insulted," *Philadelphia Tribune*, February 19, 1921.

[534] Ibid.

Pennsylvania regardless of race in places of public accommodations.[535] Led by Asbury, the African American community in Philadelphia mobilized behind the bill and sent dozens of prominent supporters to Harrisburg to voice their support for the legislation.[536] Such efforts were rewarded when the bill successful passed the House. However, the bill met the same fate as similar efforts in 1913 and 1915, when the legislation was successfully killed by the Law and Order Committee of the Senate, controlled by Republicans, when it failed to discharge it for a vote on the merits.[537]

Asbury's efforts to secure passage of the bill were widely praised and he continued the struggle throughout his years in the legislature. Eventually, Asbury's zealous advocacy on behalf of the equal rights bill became too much for the Republican machine, led by State Senator Edwin Vare, to tolerate. Just days before the election in 1926, Asbury and Stevens were removed from the Republican ticket and replaced with two other African Americans who were not committed to pursing an equal rights bill.[538] Despite the setback, the struggle to pass an equal rights bill continued and culminated in success in 1935 when Democratic Governor George H. Earle signed an equal rights bill

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[535] "Republicans Kill Bill Granting Equal Rights," *Chicago Defender*, April 30, 1921.

[536] "Senator Edwin Vare Enters Fight for Equal Rights Bill Offered By Hon. John C. Asbury, Of This City, Now Before the Committee of State Legislature," *Philadelphia Tribune*, March 19, 1921.

[537] Ibid.; "History of State's Effort to Secure Equal Rights Bill," *Pittsburgh Courier*, June 15, 1935.

[538] Edgar Roster, "John Asbury Kicked Out of Legislature Because of the Equal Rights Bill," *Philadelphia Tribune*, May 15, 1926.

into law.[539] The law provided for equal access to all places of public accommodation regardless of color or creed and provided for a fines or imprisonment for violations. [540]

As Asbury fought for passage of the Equal Rights Bill, he also sought to create economic development in the African American community with the establishment of the Keystone Cooperative Bank Association located at 1504 South Street. The bank was an affiliate of the Keystone Aid Society, the largest black insurance company in Philadelphia.[541] It was a charted state bank and, according to its limited advertisements, the bank had approximately two thousand customers who deposited over $100,000 in mostly small accounts by 1926.[542]

Despite Asbury's stellar qualifications, Keystone Cooperative began to encounter financial problems shortly after the collapse of Brown and Stevens.[543] Like Brown and Stevens, such problems were largely attributable to poor management and illiquid nature of its assets. Indeed, by 1926, the bank possessed $80,000 in depositor liability but a dangerously low amount of liquid assets—$5,000.[544] After witnessing the disastrous run

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[539] "Pennsylvania's Equal Rights Bill Takes Effect September 1," *Pittsburgh Courier*, July 6, 1935.

[540] Ibid.

[541] Hardy, *Race and Opportunity*, 356. Asbury and a group of African American businessmen founded the insurance company in 1902 and by 1930, it had 3,804 polices in place with an annual income of $109,454. (ibid., 356-57).

[542] *Philadelphia Tribune*, January 30, 1926.

[543] Harris, *The Negro As Capitalist*, 125.

[544] R.R. Wright, Sr., "C.& S. Bank President Cites Progress of Institution," *Philadelphia Tribune*, January 24, 1929.

on the Brown and Stevens Bank, Asbury certainly understood that his bank was in a very precarious situation as even several modest withdrawals by depositors would force the institution into the hands of a receivership. Asbury, in a desperate bid to save the bank, contacted Richard R. Wright, Sr., the president of the only other African American owned and operated institution in Philadelphia, Citizens and Southern Bank and Trust Company.[545]

After several months of due diligence involving conversations with the Pennsylvania Department of Banking and a detailed inspection of Keystone's financial records, Wright determined that his institution had the financial wherewithal to take over Asbury's bank. In particular, Wright concluded that while most of its assets were not liquid, they were of sufficient value to cover the outstanding depositor liability. On January 4, 1927, Wright and Asbury announced that Keystone and Citizens had merged into a single institution.[546] It represented the first time that two "[r]ace banks" had successfully consolidated their resources and it was hailed as "evidence of a desire to cooperate for the future prosperity of the race."[547] Wright explained the benefits of the merger: "With the combined resources of both institutions we shall be better able to be of paramount service to our people in this city and vicinity."[548]

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[545] Ibid.

[546] Orrin Evans, "Citizens and Southern Bank and Keystone Cooperative Banking Co. Consolidate," *Philadelphia Tribune*, January 8, 1927.

[547] Ibid.; "Citizens' and Southern Bank Shows Growth," *Pittsburgh Courier*, January 28, 1928.

While the press depicted it largely as a merger of two equals, the transaction was in reality a liquidation of Keystone with Citizens acquiring its depositors and prime assets. After all of the "frozen assets" were eventually liquidated by Citizens, Keystone depositors were all paid in full and an additional $28,000 was paid to the stockholders and directors, representing approximately 35 percent of their original investment.[549] With the acquisition complete, Citizens and Southern Bank and Trust Company emerged as the sole African American owned and operated bank in Philadelphia and one of only a handful in the North.

That Citizens and Southern Bank and Trust Company emerged in the wake of the collapse of Brown and Stevens and near collapse of the Keystone Cooperative Bank came as no surprise considering it was led by the remarkable Major R.R. Wright, Sr. Wright was born a slave in a log cabin on a plantation outside of Dalton, Georgia on May 16, 1855.[550] Following the demise of slavery, Wright's mother, determined to see her children educated, took them on a three hundred mile walk to Atlanta where he attended several missionary schools, one of which was nothing more than a dilapidated box-car, that were established to educate the former slaves.[551] During his stay, General Oliver O.

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[548] Orrin Evans, "Citizens and Southern Bank and Keystone Cooperative Banking Co. Consolidate," *Philadelphia Tribune*, January 8, 1927.

[549] Harris, *The Negro As Capitalist*, 125; "C.&S. Bank President Cites Progress of Institution," *Philadelphia Tribune*, January 24, 1929.

[550] Elizabeth Ross Haynes, *The Black Boy of Atlanta* (Boston, MA: The House Of Edinboro Publishers, 1952), 20.

[551] Sheryl P. Simons, "African American Firsts Highlight Rich Legacy," *The Pennsylvania Gazette*, January 5, 2009; George McCain, "A Philadelphia Banker Who Rose From Slavery," *Philadelphia Tribune*, March 14, 1925.

Howard, the head of the Freedman's Bureau, addressed the students and questioned them whether they had any message he could take North. After a period of silence, Wright, then ten years old, replied: "Tell them, General, we're rising."[552] Wright's brief yet moving words inspired John Greenleaf Whittier to pen the poem "Howard at Atlanta."[553] Wright proceeded to attend Atlanta University and taught during the summers to earn money to pay for his education. While teaching in the summer of 1875, Wright received a threat from the Klu Klux Klan warning him "to leave the county in 24 hours or we will give your d-n carcass to the buzzards because we understand that you are in favor of the Civil Rights Bill."[554] Despite such threats, Wright graduated from Atlanta University as valedictorian with a B.A. degree in 1876.

Following his graduation, Wright was appointed principal of the E.A. Ware High School in Savannah, which was, at the time, the only publicly-funded high school for African Americans in Georgia.[555] In 1891, Wright became president of the Georgia State Industrial College for Colored Youth also located in Savannah, Georgia.[556] Unlike

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[552] "Bury Major R.R. Wright, Slave Who Rose To Fame," *Chicago Defender*, July 12, 1947.

[553] John N. Ingham and Lynne B. Feldman, *African-American Business Leaders: A Biographical Dictionary* (Westport, CT: Greenwood Publishing Group, Inc. 1994) 712-18.

[554] Ibid.

[555] June O. Patton, "And the Truth Shall Make You Free: Richard Robert Wright, Sr., Black Intellectual and Iconoclast, 1877-1897," *Journal of Negro History* 81 (1996): 25.

[556] Ibid., 26.

Booker T. Washington's Tuskegee Institute, Wright's sought to expand the education offerings of his institution beyond industrial education. Such educational practices did not endear him to the local white population and on one occasion a mob gathered to lynch him for his "radicalism."[557] He managed to escape the mob and his service to the institution continued for thirty years with a brief interruption during the Spanish American War when President McKinley appointed him as a special paymaster in the United States Army, earning him the rank of Major.[558]

While in Savannah, Wright's daughter, Julia, went to the Citizens and Southern Bank to conduct some banking business. During the course of the transaction, the white bank teller called her Julia as opposed to Miss Wright. After she requested that he address her as Miss just like the white female customers, the teller replied: "I am a white man and I call no nigger Miss."[559] The argument escalated into a physical altercation with blows exchanged. Richard Wright demanded an apology from the white president of the bank, a man he had considered a friend for a number of years. After the bank president refused to apologize, Wright vowed to sue the bank and "declared that he would start a bank himself, using the same name of the bank whose methods he learned to dislike."[560] Richard R. Wright, Jr., his son, explained his father's decision to leave a thirty year career in education to commence a new career in banking:

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[557] "Nation Mourns Major R.R. Wright," *Pittsburgh Courier*, July 12, 1947.

[558] Ibid; "Major R.R. Wright," *Atlanta Daily World*, July 6, 1947.

[559] Ingham and Feldman, *African-American Business Leaders,* 712-18.

[560] "Bury Major R.R. Wright, Slave Who Rose to Fame," *The Chicago Defender*, July 12, 1947.

> My father had lived nearly thirty years at Savannah, thought he had the respect of all citizens, and had been lauded time and again as an example for Negro-Americans in education, thrift, loyalty, and honor. He had the professed friendship of the 'best Southern whites' but now not one was willing to help him . . . [my father] had made hundreds of speeches to the colored population to support the nation in war, because he felt that this was indeed a war to make the world safe for democracy. Now his own daughter could be insulted and physically assaulted and there was no redress.[561]

It is unlikely that a personal insult alone drove Wright to make such a momentous decision. As an educator, he was also keenly aware of the desperate economic circumstances faced by African Americans locked in a system of sharecropping in the South. To Wright, a bank represented more than a business but a social service and one of the main reasons he decided to enter the banking business was "not just to make money, but to lay a firm financial foundation" for African Americans.[562] Wright understood the importance of banking to the African American community as he had been the director of the first African American bank in Savannah as well as a shareholder in four other black banks.[563] Motivated by the racial discrimination he encountered and principals of community empowerment, Wright contacted his son, editor of the *Christian Recorder* and a pastor at an American Methodist Episcopal (A.M.E.) church in Philadelphia, to discuss the possibility of establishing a bank.

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[561] Richard R. Wright, Jr., *Eighty Seven Years Behind the Black Curtain* (Philadelphia: A.M.E. Book Concern, 1965), 191.

[562] Ibid.

[563] Hardy, *Race and Opportunity*, 333

That Wright sought the opinions of his son is hardly surprising. In addition to his religious background and connections, Wright Jr. also graduated with a Ph.D. in sociology from the University of Pennsylvania and had written his dissertation on the economic history of African Americans in Pennsylvania. As part of his work, he conducted a survey of white banks and determined that African Americans had over four million dollars in deposits in such institutions. Wright, Jr. also served as Secretary for the People's Savings Bank and was involved in real estate business with E.C. Brown in Philadelphia. Together, the two bought homes in "changing" neighborhoods and sold them to recently arrived migrants from the South. A strong believer in homeownership, Wright, Jr. understood that the rapidly growing African American community had a need for a community bank to provide capital for mortgages and businesses.[564]

Intent on bringing his father North, Wright, Jr. arranged a meeting between Wright and a group of leading business men, church leaders, and lawyers in Philadelphia to discuss the opening of a bank in the City of Brotherly Love.[565] Most of the group was skeptical of the need for another bank, as Brown and Stevens was at the peak of its success at the time. In a show of respect to Wright, each promised a financial pledge of support it "if the Major would lead off."[566] And lead off he did, at the age of sixty-six, Wright left a forty year career as one of the most highly-regarded African American educators in the United States and commenced with a new career in banking.

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[564] Ibid., 332.

[565] "Citizens & Southern Survived Depression of Early 30's," *Philadelphia Tribune*, April 26, 1955.

[566] Ibid.

In 1920, Wright and his family left the South for the promised land of the North, just as thousands of other African Americans were doing at the time as part of the Great Migration, and arrived in Philadelphia. When the promised financial support for the bank failed to materialize, Wright and his family raised the money that was necessary to receive a charter from the Pennsylvania Department of Banking.[567] In June 1920, Wright applied for a license and, after several months of lobbying efforts, he was granted a license to operate a private bank by the Pennsylvania Department of Banking.[568] After a brief marketing campaign that included mailings and church addresses, on September 15, 1920, Wright opened the doors to his bank located in a space rented from a group of Baptist clergymen at 19th and South Streets, before a large and enthusiastic crowd.[569] Wright served as President, R.R. Wright, Jr. was Vice-President and a cashier, and his daughter, Lillian Wright, was a teller.[570] Several months later, upon the recommendation of a former professor at Georgia State University, Wright hired Charles Ealy, who was working at the time in the accounting department of an African American-owned bank in Jacksonville, to manage the daily operations of the bank.[571]

Fulfilling the vow he made in Georgia following the insult to his daughter, Wright named his new enterprise the Citizens and Southern Bank. The name also had a deeper

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567 Haynes, *The Black Boy of Atlanta*, 180, 182.

568 Ibid., 182.

569 Citizens & Southern Survived Depression of Early 30's," *Philadelphia Tribune*, April 26, 1955.

570 *Ibid*.; "Maj. R.R. Wright, Educator, Banker, Founded Citizens & Southern Bank," *Philadelphia Tribune*, January 1, 1963.

571 Hardy, *Race and Opportunity*, 340

meaning that reflected Wright's attempt to heal the tension that existed within the African American community between the established residents of Philadelphia and the new migrants flocking to the city, as Wright explained in a full page add in the *Tribune*:

> The Citizen's and Southern Banking Co. is a bank with an ideal. A great many people have asked whit it was called "Citizens' & Southern." The reason is clear. Major Wright although a southerner, wants to have the best cooperation between all of the people of the city. The "citizens" are those who have been here for many years, and the southern is for those who have just come. In the name of the banking institution the Citizens' & Southerners are both united. The very name, therefore, implies united action of all people, no faction but cooperation. It is not a bank for one class but a bank for all. It is not a bank for professional people only but a bank for the working people.[572]

Wright also recognized that the successful operation of a bank required a certain skill set which neither he nor his family members possessed. As Wright explained: "You can't run a business that you do not know."[573] Despite the fact that Wright and his family were highly educated, they returned to the class room. Wright, at the age of sixty-seven, and his son enrolled in the University of Pennsylvania, Wharton Evening School of Finance to learn the skills necessary to successfully operate a bank.[574] Likewise, Lillian, his daughter entered the American Institute of Banking and another daughter, Harriett, left Radcliffe College and also enrolled in the University of Pennsylvania's Wharton School. Harriett and another son, Emmanuel, began working at the bank in 1921.[575]

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[572] *Philadelphia Tribune*, February 2, 1924.

[573] "Citizens & Southern Survived Depression of Early 30's," *Philadelphia Tribune*, April 26, 1955.

[574] Ibid.

[575] Haynes, *The Black Boy of Atlanta*, 184

Wright explained to his children: “You know we’ve got to make new opportunities for ourselves.”[576]

The bank was an immediate success, with “working people” rallying to support the bank and depositing slightly less than $10,000 in the first week of its operation and $100,000 in its first year.[577] Citizens built its business slowly by relying upon small depositors who earned 4 percent interest on all accounts over $5.00 and emphasizing the importance of savings through various educational programs. Such values were instilled in Wright at an early age by his mother who told her young son that she was going to save her money “and live on the interest.”[578]

Wright and the bank sought to instill in African Americans, particularly recent migrants, notions of thrift that would allow for wealth accumulation primarily through home ownership. One of the first depositors of the bank was a bespectacled cook. Each week she deposited small amounts of money into her Citizens and Southern Bank account with the dream of buying her own home. Eventually, she saved $125.00, enough for a down payment on a small home. Upon seeing Wright in the bank one day, she proclaimed: “What y’all chilln doing here? Sho’ better treat the President of this City Southern Bank Right. Cause he done stop me from payin rent. I eats and sleeps, and boards under my own vine an’ fig tree.”[579] She died a number of years later with over

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[576] Ibid.

[577] Ibid.

[578] Ibid., 174.

[579] Ingham and Feldman, *African-American Business Leaders*, 712-18.

$200 deposited in her account at Citizens. To Wright, Citizens represented a vehicle for working class African Americans, such as the bespectacled cook, to achieve economic empowerment. As Wright proclaimed: "We cannot forfeit or relinquish the financial part of our economic progress. We must show we can manage money; and we are going to do it."[580]

Several years later, in a cold rain in January 1924, the bank opened a new building at a cost of $30,000, described as an "imposing three story, white stone structure" before a large crowd including Mayor J. Hampton Moore and many other dignitaries.[581] In his speech to the crowd, Wright explained that the bank had helped African Americans save money and protected them from "real estate sharks."[582] Its opening was hailed in the *Philadelphia Tribune*, "It has the appearance of a real bank—not a colored bank, but a real bank, and we can all point to it with pride."[583] By 1926, the bank had approximately five thousand depositors and $202,000 of assets.[584]

Even with its success, Wright was determined to expand the services of the bank by also establishing a trust company that would offer further services and protection to

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[580] Haynes, *The Black Boy of Atlanta*, 191.

[581] "New Building a Monument to Race Achievement," *Philadelphia Tribune*, January 26, 1924; Daniel Chase, "The Business Of Banking," *Philadelphia Tribune*, August 7, 1926.

[582] "New Building a Monument to Race Achievement," *Philadelphia Tribune*, January 26, 1924.

[583] Ibid.

[584] "Trust Company Opens with $125,000 Capital: Citizens-Southern Bank Merges with Trust Company," *Philadelphia Tribune*, January 23, 1926.

African American migrants who were being exploited by realtors and finance companies. In February 1924, Wright estimated that in the previous seven years African Americans had lost over $250,000 through mortgage defaults, overcharges, and fraud. As Wright explained: "Millions of dollars are lost because our people are not in the habit of consulting their bankers."[585] Further, he stated: "They ought to listen to the agents who are selling stock or selling a house, or selling anything else, but before they sign the contract, we want them to know they ought to consult their banker and they will save thousands and thousands of dollars."[586] A trust company would allow Wright to provide a full range of financial services to African American home buyers by protecting their deposits, reviewing mortgage documents, examining closing costs, and representing their interests at the real estate closing.[587] As Charles Ealy explained:

> Well it was a little hard to get people to understand, because they had been living in another world, so to speak, dealing with institutions that charged them tremendous high rates of interest on the loans they had been given . . . . At that time when people wanted money they'd go to finance companies. Say for a person buying a property and having a settlement, they find they need two or three hundred dollars to complete the settlement. And they go to a finance company. Well now he can put that money on the table. You can do the same with a bank for six and half percent interest instead of paying three and half percent on the unpaid balance monthly. He thoroughly understood that. And now we began o see them come in. Try to establish a credit rating with the institution . . . . Some of them didn't hardly believe it at the beginning. We sat around in

[585] "The Citizens' and Southern Banking Company: A Business Achievement, Makes Good Because of Public Confidence," *Philadelphia Tribune*, February 2, 1924.

[586] Ibid.

[587] Hardy, *Race and Opportunity*, 342.

> many people's homes, going over things very carefully and thoroughly with them to see the contrast.[588]

After an intensive, nearly year-long, campaign to raise the chartered capital goal of $125,000, on January 16, 1926, Wright announced that the entire capital stock had been paid in with a surplus of over $31,000 for the trust company.[589] According to Wright, most of the over five hundred stockholders in the Trust Company were migrants from the South and some were former slaves.[590] Wright's companies were merged, creating the Citizens and Southern Bank and Trust Company and it opened for business on March 1, 1926. It was the first African American trust in the North and its opening was billed as "a monument to the faith and confidence of the Negro race."[591]

Shortly after its establishment, a banquet was held to honor the work of Wright. It was repeated emphasized by numerous speakers that African Americans were demonstrating a determination "to be free from oppression through economic development."[592] E. Washington Rhodes, the trust officer of the new institution as well as the editor of the *Philadelphia Tribune* and a lawyer, explained the "racial benefits

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[588] Charles Ealy, interview, May 10, 1984, cited in Hardy, *Race and Opportunity*, 343.

[589] "Citizens' & Southern Bank and Trust Company Opens for Business," *New York Amsterdam News*, January 27, 1926.

[590] Ibid.

[591] "Trust Company Opens with $125,000 Capital: Citizens-Southern Bank Merges with Trust Company," *Philadelphia Tribune*, January 23, 1926.

[592] "Trust Company Implies Safety Says Wright," *Philadelphia Tribune*, March 13, 1926.

from a pooling of the Negroes resources."[593] He argued that African Americans, who he noted had over eighteen million dollars in white banks, must support the new institution if they desired "to see a great big financial institution owned and controlled by colored people."[594] In keeping with such a philosophy, Wright commenced a campaign to increase deposits in the new institution to $1,000,000 by the end of 1926. In making the case that such a goal was attainable, he explained, the approximately 200,000 African Americans that lived in Philadelphia and the surrounding areas, had an earning capacity of $1,000,000 per week and a savings capacity of $5,200,000 per year.[595]

After E. Washington Rhodes resigned his position as trust officer of Citizens to become an Assistant United States Attorney in December 1927, Raymond Pace Alexander was chosen as his replacement.[596] Alexander immediately commenced a campaign to increase the profile of the trust department by developing a program of expansion and publicity to better serve "the large colored population of the city."[597]

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[593] Ibid.

[594] "Trust Company Opens with $125,000 Capital: Citizens-Southern Bank Merges with Trust Company," *Philadelphia Tribune*, January 23, 1926.

[595] "Citizens' & Southern Bank and Trust Company Opens for Business," *New York Amsterdam News*, January 27, 1926.

[596] "Appoint New Trust Officer at C.&S. Bank," *Philadelphia Tribune*, December 22, 1927.

[597] Ibid.

The trust department was an immediate success developing $37,500 in business in its first year and increasing to $50,000 in its second year.[598]

The bank's motto was "Save for a Purpose: Save to Make Profit on your Earnings."[599] Pursuant to its motto, the bank's general purpose was to assist African Americans in "saving money for the purchase of homes, for the education of their children, and for savings money to obtain various comforts in life."[600] It offered a number of services including: commercial banking services; savings accounts paying 4 percent interest; time certificates paying 4.5 percent interest; and trust and title insurance. It also provided loans for a wide variety of purposes but required that such loans be secured by sound collateral. By 1930, the bank had $161,000 in capital, over six thousand deposit accounts and thirteen hundred checking accounts.[601] The bank also served the growing African American business community, including: churches, building and loan associations, fraternities, sororities, contractors, doctors, undertakers, and real estate professionals.[602] It also had provided loans to one thousand borrowers for a wide range of purposes including: small business loans, to pay interest on mortgages, to pay building and loan dues, to pay taxes and other

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[598] Floyd J. Calvin, "Bankers Meet in Capital," *Pittsburgh Courier*, September 28, 1929.

[599] "A Negro Bank at the Front in Philadelphia," *New York Amsterdam News*, December 8, 1926.

[600] Ibid.

[601] "Rigid Loan Requirements C.&S. Boon," *Philadelphia Tribune*, August 7, 1930.

[602] "Home Coming Week at the Local Banks," *Philadelphia Tribune*, November 3, 1927.

financial obligations.[603] Wright proudly boasted that Citizens had never lost any money on any of its loan transactions.[604]

Central to its growth, the bank deployed a multi-faceted marketing plan designed to reach all parts of the African American community in Philadelphia. It advertised continuously in newspapers such as the *Philadelphia Tribune* which noted that Wright "likes publicity and knows how to get it at the least possible cost."[605] The advertisements were rather modest in size and frequently appealed to racial consciousness, explaining: "The Colored people cannot afford to do without banks of their own" and "Our Only Bank In This City—The Race's Most Liquid Bank."[606] Wright explained that such advertising kept the name of the bank before the reading public and such consistency allowed it to "gradually take a deep and vital hold on the community."[607] He stated such advertising undoubtedly contributed to the institutions success.

But Wright did not limit himself to simple advertisements in print medias as he understood the fundamental role of the churches in the African American community. He chose four African Methodist bishops, Levi J. Coppin, John Hurst, W.S. Brooks, and

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603 "Federal Officer Lauds Bank on its Progress," *Philadelphia Tribune*, March 14, 1929.

604 "Rigid Loan Requirements C.&S. Boon," *Philadelphia Tribune*, August 7, 1930.

605 "An Outsider," *Philadelphia Tribune*, August 21, 1930.

606 *Philadelphia Tribune*, April 4, 1925; *Philadelphia Tribune*, January 28, 1928.

607 Floyd J. Calvin, "Calvin Calls on Philly's Popular Bank," *Pittsburgh Courier*, April 28, 1928.

William H. Heard, for his Board of Directors.[608] Such directors marketed the bank by sending letters to prominent church members extending invitations to buy shares and attend the bank's meetings and spoke with church pastors urging them to encourage their flocks to invest in the bank.[609] Bishops William Heard and J. H. Jones wrote a letter addressed to the ministry and laity of the A.M.E. Church and the citizens of Philadelphia that was published in the *Tribune*.[610] The open letter praised the management of the bank and noted that it had provided a great service to the "race." The Bishops urged all the members of the church to give their complete support to the bank by opening savings and checking accounts as it was the only "Philadelphia Negro bank."[611] Nor were Wright's efforts limited to the A.M.E Church. Wright successfully convinced a number of the ministers in Philadelphia to preach one hundred "bank sermons" designed to boost their local banks such as Citizens and Southern.[612]

Wright also assiduously courted the business of African American fraternal orders. Wright arranged for the leaders of the Grand United Order of Odd Fellows to inspect his bank and provided an elaborate luncheon on their behalf. Wright's efforts were rewarded when the Grand Master Edward H. Morris, a wealthy lawyer from

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[608] Gregg, *Sparks From the Anvil of Oppression*, 59.

[609] Ibid.

[610] "C.&S. Bank is Praised for its Management," *Philadelphia Tribune*, July 4, 1929.

[611] Ibid.

[612] "Philadelphia Ministers to Preach 'Bank Sermons,'" *New York Amsterdam News*, October 15, 1930.

Chicago, announced that the fraternal organization would, for the first time in its history, deposit funds in an African American bank.[613] Likewise, after convening a conference in Philadelphia to discuss the matter, the Grand Lodge of Elks informed Wright that at least part of their funds would be deposited in African American banks.[614] The bank also sought to attract business by sponsoring an annual homecoming week that provided events for civic and fraternal organizations, business and professional persons, and sponsored a women's day.[615]

Wright understood that the collapse of Brown and Stevens made African Americans skeptical of the financial soundness of African American banks. To solidify its reputation, he also sought the endorsement of the white power structure to further legitimize his bank. Wright developed and maintained close corresponding relationships with three prominent white banks in Philadelphia.[616] Wright also sought the support of local and state governments. After a lobbying campaign by Wright, in April 1926, City Council passed an ordinance authorizing the City of Philadelphia to deposit funds in Citizens and Southern Bank.[617] Wright proceeded to turn his attention to Harrisburg and

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[613] "G.M.C. Makes Deposit in Bank for First Time in its History," *Pittsburgh Courier*, July 23, 1927.

[614] "Fraternal Orders Realizing Worth of Negro Banks," *Pittsburgh Courier*, June 25, 1927.

[615] "Citizens and Southern Plan Home-Coming Week," *Pittsburgh Courier*, November 3, 1928.

[616] Ingham and Feldman, *African American Business Leaders*, 712-18.

[617] "Colored Bank Depository of City's Money," *Philadelphia Tribune*, April 17, 1926.

commenced a similar lobbying drive with state officials. After a number of examinations, the Commonwealth of Pennsylvania recognized Wright's bank as a state depository and began depositing funds in the bank in November 1926.[618] The recognition by both the City of Philadelphia and the Commonwealth of Pennsylvania greatly enhanced the reputation of Wright's Bank and "offset" the failure of Brown and Stevens.[619]

Wright also understood that the collapse of Brown and Stevens and Keystone Cooperative was in large measure due to its investments in fixed assets such as real estate. To avoid such problems, Wright sought to invest the bank's deposits in securities that produced a fair return and were highly liquid. As Wright explained: "We don't owe a dollar to anybody except what we owe in current bills. We have never borrowed one cent. We have on hand, right now, a sufficient amount of cash to take care of every depositor."[620] Wright also understood that speculative lending practices had also doomed previous banks and he adopted conservative lending polices. It was said that "If you need $25, Major Wright wants you to leave both eyes, both legs and all the collateral you can muster."[621] While such conservative banking procedures may have cost potential

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[618] "Citizens and Southern Bank Becomes a State Depository," *Pittsburgh Courier*, November 27, 1926.

[619] Orrin Evans, "State Makes Local Bank a Depository," *Philadelphia Tribune*, November 13, 1926.

[620] "Rigid Loan Requirements C.&S. Boon," *Philadelphia Tribune*, August 7, 1930.

[621] Haynes, *The Black Boy of Atlanta*, 184.

customers, it provided a secure financial foundation for Citizens that was sorely lacking in many other banking ventures.

Wright's efforts were not limited to his own bank. Wright joined the Pennsylvania Bankers Association in 1922 and the American Bankers Association in 1923. He rapidly discovered, however, that neither group was interested in addressing the needs of African American bankers. Such a lack of interest or even blatant discrimination from lobby and advocacy organizations was hardly uncommon to African American business enterprises. To counter such discrimination, Booker T. Washington established the Negro Business League in 1900. Its mission was "to promote the commercial and financial development of the Negro" and it established hundreds of chapters throughout the United States.[622] It also established a number of subsidiary organizations including the National Negro Bankers Association. By 1910, forty African American banks were members and, just two years later, the number grew to sixty-one banks.[623]

The effectiveness of the organization, however, was limited as the *Pittsburgh Courier* described it: "only two or three were meeting each year with the Business League and at this meeting they had about ten minutes to discuss banking."[624] While perhaps a slight exaggeration, the National Negro Bankers Association was a small

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[622] "History of National Negro Business League," *Atlanta Daily World*, August 18, 1937.

[623] "Success of Negro Banks," *Afro-American*, September 10, 1910; "National Negro Bankers Hold Successful Meeting," *Afro-American*, September 7, 1912.

[624] Editorial, *Pittsburgh Courier*, September 28, 1929.

subsidiary organization that met just once a year with an agenda largely consisting of general reports on the overall status of African American banking. To remedy such problems, Wright was determined to build a permanent group to develop and train the leadership necessary for successful African American banking endeavors.

Wright's effort to organize the bankers into a collective entity was in keeping with a central component of his civil rights ideology. As historian June Patton explained: "Wright believed that the creation of formal organizations not only provided the collective force required to effect contemporary social change, but were also the best means of institutionalizing the struggle for black advancement for the protracted battle that lay ahead."[625] At every stop in his storied career, Wright sought to create such indigenous institutions to capture the intellectual and collective synergies of African Americans into collective action to advance the race. He was instrumental in establishing the Georgia State Teacher's Association in 1878, the Savannah Negro Improvement League in 1892, the American Negro Academy in 1896, and the National Association of Teachers in Colored Schools in 1904.[626]

In keeping with his past efforts, on September 15, 1926, Major Wright, at the age of 72, convened a meeting of African American bankers in Knights of Pythias Hall in Philadelphia with an ambitious agenda determined to "map out a progressive financial and business program which comprehends a closer relation with all forms of Negro life

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[625] June O. Patton, "'And The Truth Shall Make You Free': Richard Robert Wright, Sr., Black Intellectual and Iconoclast, 1877-1897," *The Journal of Negro History* 81 (1996): 27.

[626] Ibid., 27-28.

and commerce."[627] The two days of meetings resulted in the establishment of a permanent organization, the National Negro Bankers' Association, which elected Major Wright as its first president. The primary objectives of the organization were two-fold. First, the organization would serve as a vehicle to allow the members to disseminate knowledge and "exchange ideas on the latest and most approved banking methods, and their adaptation to meet the peculiar needs of Negro business men and communities."[628] Second, it would "acquaint the Negro public with the indispensability of banks, owned, controlled and operated by Negros, and the absolute necessity of supporting these banks by depositing their savings in them." [629] Wright, speaking at the association's national meeting in 1927 offered his succinct explanation of its purpose: "I declare to you that the National Negro Bankers' Association is a serious attempt to dignify our banking, to organize our banks for bigger and better businesses and for mutual protection in order to accomplish this very purpose."[630]

Essentially, Wright sought to professionalize the African American banking business in order to instill sufficient confidence in the African American community to utilize indigenous institutions. In support of his position, Wright explained that one and a quarter million dollars was deposited by African Americans in white banks. Wright

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[627] "Bankers form a Permanent Organization," *Philadelphia Tribune*, September 18, 1926; "Major R.R. Wright Chosen President of National Negro Bankers' Association," *Pittsburgh Courier*, September 25, 1926.

[628] "National Negro Bankers' Association," *Philadelphia Tribune*, September 15, 1927.

[629] Ibid.

[630] "Major Wright Addresses Bankers at Durham Meet," *Pittsburgh Courier*, September 24, 1927.

noted that in 1927 not a single African American bank failed in contrast to the 1,011 white banks that failed, including 190 members of the Federal Reserve System and 143 national banks.[631] The following year, two African American banks failed but neither was a member of the Association. During the same time, over a thousand white banks failed.[632]

Just two years after its founding, Wright and a delegation from the National Negro Bankers Association were received by President Calvin Coolidge at the White House and later by Andrew W. Mellon, the head of the Treasury Department.[633] After Wright explained the progress of African American banking and the Association, both Coolidge and Mellon responded by praising Wright and the Association for its efforts in promoting thrift among African Americans.[634]

Such promotion of thrift culminated in the Association launching a "thrift week" in February 1929. The Association sought to educate African Americans to the importance of savings in its member banks and adopted the slogan, "save in the nearest bank of your group." In support of the effort, Wright embarked on a nationwide tour of a number of member banks to promote "thrift" week through special meetings,

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[631] "Banks Which Failed Not Affiliated with National Banking Association," *Pittsburgh Courier*, January 21, 1928.

[632] Ibid.

[633] "Negro Bankers Received By Coolidge," *Philadelphia Tribune*, February 16, 1928.

[634] Ibid.

conferences, and educational programs.[635] Wright concluded that each of the banks he visited were in a "prosperous condition" and were led by African Americans who are "now going seriously into banking in its most scientific form, and deserve the who-hearted support of our people." [636] In Philadelphia, Wright's Citizens Bank commenced a drive to raise $600,000 in new savings deposits as part of the thrift campaign.[637]

On September 28, 1929, the Association convened its annual meeting in Washington D.C. African American bankers from around the nation heard a wide range of lectures regarding banking practices with titles such as "What Makes a Bank Grow," Loans and Discounts," "The Duties of a Trust Officer," and "The Small, Unprofitable Account."[638] These lectures were designed to increase the basic knowledge of the bankers as well as address issues that were unique to African American banks. As Wright explained in his annual address in 1929, increased knowledge among African American bankers would lead to stronger banks that in turn would instill greater confidence in African Americans to use such banks. Wright believed the Association was making significant process in obtaining such goals, as he stated: "Our own people are beginning to realize that banks are the keystone of business, the basis of economic

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[635] "Our Bankers Sponsor Annual 'Thrift Week,'" *Philadelphia Tribune*, June 24, 1929.

[636] Floyd Calvin "'No Bank Failures His Year'—Philly Banker's Predication," *Pittsburgh Courier*, March 30, 1929.

[637] Ibid.

[638] Floyd Calvin, " Bankers Meet in Capital," *Pittsburgh Courier*, September 28, 1929.

progress."[639] The culmination of the annual meeting was a private audience with the newly elected President Herbert Hoover in his private office in the White House. An editorial in the *Pittsburgh Courier* hailed the work of the Association and the praised the vision and courage of Wright in establishing the Association.[640]

In late 1928, the *Philadelphia Tribune*, in an editorial, entitled: "There Must Be Banks," celebrated the eighth anniversary of Citizens and Southern Bank and Trust Company and offered an astute analysis of the thirty year history of black banks in the City of Brotherly Love. The editorial explained that "the colored citizens of Philadelphia need a strong financial institution" to act as a reservoir to pool their resources.[641] The editorial noted that Philadelphia, with an African American population of two hundred thousand, "should have a great big bank the pride and joy of their racial life." While noting the progress of Citizens, the editorial recognized that no such great financial institution existed in Philadelphia mainly due to lack of support from the African American community.

The editorial implicitly recognized that such a lack of support was attributable to the demise of previous African American banks in Philadelphia. Nevertheless, the editorial explained that such failures developed the necessary experience to build a solid foundation that will allow future generations to successfully "complete the structure." The editorial implored the African American community to look past previous failures by

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639 Major R.R. Wright, "Major Wright Surveys Negro Banking Field," *Pittsburgh Courier*, October 19, 1929.

640 Editorial, *Pittsburgh Courier*, September 28, 1929.

641 "There Must Be Banks," *Philadelphia Tribune*, November 2, 1928.

arguing that anything that supports “the Negro race as a group benefits individual Negroes.” It concluded: “The idea is clear—We either go up together or else we stay down and continue to exist as unfortunates in the wealthiest country on earth.”

CHAPTER 5

THE AFRICAN AMERICAN BUILDING AND LOAN ASSOCIATION MOVEMENT IN PHILADELPHIA - 1886-1930

Years after its demise, African Americans in Philadelphia still nostalgically recalled their fond memories of the mighty Brown and Stevens Bank.[642] Yet while Brown and Stevens Bank held great symbolic importance to the African American community, even during its heyday the bank had limited capital with which to provide mortgage loans to African Americans to purchase homes. In fact, one of the main sources of mortgage loans for the purchase of homes by African Americans in Philadelphia were building and loan associations. That African American building and loan associations prospered in Philadelphia should not come as a surprise as the very first building and loan association in the United States was founded in the City of Brotherly Love in 1831. In fact, the overall building and loan movement was such a success at financing homeownership for whites that Philadelphia was known as the "city of homes." Such success inspired African American leaders such as Reverend William Creditt, Reverend Matthew Anderson, and William Still, the father of the Underground Railroad, to emulate the movement through the creation of indigenous financial institutions to provide capital in the form of mortgage loans. These leaders recognized that economic development was integral to the larger quest for civil rights and equality for African Americans in the United States.

The building and loan movement in the African American community in Philadelphia grew dramatically with the commencement of the Great Migration as

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[642] Hardy, *Race and Opportunity*, xiv.

migrants often arrived in Philadelphia with aspirations of homeownership. The growth of the movement was spearheaded by a small group of "New Negroes" who recognized the importance of economic development as an integral piece of the larger civil rights movement dedicated to challenging white supremacy.[643] Most were professionals who attended elite colleges and professional schools in the North and represented the vanguard of W.E.B. Du Bois' "Talented Tenth." Several of them were prominent lawyers who adopted the legal philosophy of the famed civil rights lawyer: Charles Hamilton Houston. A graduate of Harvard University Law School, Houston articulated a vision for the "New Negro" lawyer, explaining:

> [The] Negro lawyer must be trained as a social engineer and group interpreter. Due to the Negro's social and political condition . . . the Negro lawyer must be prepared to anticipate, guide and interpret his group advancement . . . . [Moreover, he must act as] business advisor . . . for the protection of the scattered resources possessed or controlled by the group . . . . He must provide more ways and means for holding within the group the income now flowing through it.[644]

Legal scholar Kenneth Mack has explained that Houston and other members of the African American bar embraced a professional consciousness of "race uplift" that contained "a voluntarist strand that emphasized intraracial progress, and a legalist strand

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[643] See Alain Locke, ed., *The New Negro: Voices of the Harlem Renaissance* (New York: Albert and Charles Boni, Inc., 1925).

[644] Charles Hamilton Houston, "Personal Observations on the Summary of Studies in Legal Education as Applied to the Howard University School of Law," manuscript, 28 May 1929, Charles Hamilton Houston Letters, Papers, and firm case files, Houston & Gardner Law Firm, Washington D.C. quoted in Genna Rae McNeil, *Groundwork: Charles Hamilton Houston and the Struggle for Civil Rights* (Philadelphia, PA: University of Pennsylvania Press 1983), 71.

that centered on moral and legal claims directed to the larger white majority."[645] Mack argues that, in the 1920s, the voluntarist strand dominated and lawyers "emphasized the promotion of local African American institutions—law firms, businesses, churches, newspapers—while remaining cognizant of the discrimination and segregation that hemmed them in."[646]

The "New Negros" in Philadelphia, working in conjunction with a number of the major African American churches in Philadelphia, built the largest network of African American owned and operated building and loan associations in the United States. The movement, as Gunnar Mydral explained, was attributed to the inability of African Americans to obtain financial assistance from white banks and financial institutions to purchase homes.[647] But the development of building and loan associations and the demand for home loans were both byproducts of the tremendous desire of African Americans, particularly recently arrived migrants from the South, to own homes. In fact, the movement was driven by individual families making the conscious decision to live out the American dream of homeownership.

After the first building and loan association in the United States opened in Philadelphia, African Americans joined the movement after the Civil War, when a group opened a building and loan association in Kinston, North Carolina in 1865, and later an

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[645] Kenneth W. Mack, "Rethinking Civil Rights Lawyering and Politics in the Era Before *Brown*," 280.

[646] Ibid.

[647] Gunnar Myrdal, *An American Dilemma: The Negro Problem and Modern Democracy* (New York: Harper & Brothers 1944), 315.

association was established in Baltimore, Maryland.[648] Next, several African Americans established the Tide Water Building and Loan Association in Portsmouth, Virginia, followed by the People's Building and Loan Association in Hampton, Virginia in 1889.[649] The founding of the building and loan associations in Virginia was motivated by the desire of African Americans to secure better housing and to own homes. Unable to secure loans from banks and building and loan associations in Portsmouth and Hampton, African Americans created their own institutions to address the credit needs of the African American community and enter the ranks of homeowners.[650] The building and loan movement was such a success that Booker T. Washington claimed half of the black-owned homes in Virginia were financed through an African American association. He explained that, "perhaps the most numerous and popular form of cooperative business in which are people have engaged is that of the building and loan associations."[651]

In 1886, the first African American managed building and loan association in Philadelphia was organized and named the Century Building and Loan Association. Several months later it received its official charter from the Commonwealth of Pennsylvania.[652] The Century's Board of Directors consisted exclusively of African

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[648] Mason, *From Buildings and Loans to Bail-Outs*, 164.

[649] Samuel A. Rosenberg, *Negro Managed Building and Loan Associations in the United States* (Hampton, VA: Hampton Institute 1940), 2.

[650] Ibid.

[651] Washington, *Negro in Business*, 161.

[652] I. Maximilian Martin, *Negro Managed Building & Loan Associations in Philadelphia: Their History and Present Status* (Philadelphia, PA: Associated Real Estate Brokers of Philadelphia, 1936), 1.

Americans employed in a variety of occupations, including teachers, upholsterers, clerks, restaurant owners, and undertakers.[653] As of 1897, its income was $7,000 with outstanding loans in the amount of $25,000.[654] By 1906, Century had dwindled to a mere nineteen members and it assisted with the purchase of only one home during the course of the year.[655] Its income also declined to $4,659 with total assets of $3,000 and, several years later, it ceased to exist due to lack of members.[656]

In 1888, the Pioneer Building and Loan Association was organized and by 1889 it had received its charter from the Commonwealth of Pennsylvania. Its Board consisted exclusively of African Americans employed as carters, merchants, and upholsterers.[657] By 1897, it had outstanding loans in the amount of $20,000 and had assisted nine African Americans in buying their homes.[658] In 1906, Pioneer reported 140 members and it originated four loans for home purchases.[659] For a number of years, Pioneer regularly advertised in the *Philadelphia Tribune*, encouraging people to join if they wanted to

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[653] Du Bois, *The Philadelphia Negro*, 226.

[654] Ibid.

[655] Wright, *The Negro in Pennsylvania*, 85.

[656] Ibid.; Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 3.

[657] Du Bois, *The Philadelphia Negro*, 226.

[658] Ibid.

[659] Wright, *The Negro in Pennsylvania*, 85.

"Borrow Money Or Purchase A Home" and to "Keep Your Dollars Busy."[660] It allowed members to borrow up to $200.00 for each share of stock. While the historical record contains scant information regarding the institution, it apparently continued to thrive for a number of decades by providing mortgage loans to its African American members. According to a report it filed with the Pennsylvania Department of Banking in 1927, Pioneer listed mortgage loans on stock shares in the amount of $135,100; in 1928, that amount increased to $149,600; in 1929, it was $151, 969; and in 1930, $140,500.[661] As of 1935, Pioneer had the third highest total of resources among African American building and loan associations in Philadelphia.[662]

In the same year that Pioneer was organized, Reverend Matthew Anderson founded what would become the most successful African American owed financial institution in the history of Philadelphia. Anderson was bon in Greencastle, Pennsylvania on January 25, 1848.[663] After attending a college preparatory school in Ohio, Anderson enrolled at Oberlin College. He was forced to withdraw due to lack of funds and he

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660 *Philadelphia Tribune*, March 30, 1912; *Philadelphia Tribune*, April 23, 1921.

661 Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (Harrisburg, PA: Commonwealth of Pennsylvania, 1927), 645; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (Harrisburg, PA: Commonwealth of Pennsylvania, 1928), 572; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (Harrisburg, PA: Commonwealth of Pennsylvania, 1929), 588; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (Harrisburg, PA: Commonwealth of Pennsylvania, 1930), 522.

662 Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 8.

663 "Berean Pastor Dies Suddenly In Hospital," *Philadelphia Tribune*, January 12, 1929.

accepted a teaching position at Livingstone College in Salisbury, North Carolina. After two years of teaching, Anderson resumed his studies at Princeton University and graduated with a degree in theology. Following his graduation, he continued his education at Yale School of Divinity, completing his studies in 1879.[664]

With his education complete, Anderson moved to Philadelphia and, in 1880, established the Berean Presbyterian Church. Anderson located his church in North Philadelphia, an area in which African Americans had begun to populate. Most of the six thousand African American residents in the area were poor and lived in deplorable conditions.[665] Anderson, influenced by the Social Gospel movement, did not limit the work of his church to the spiritual needs of his congregation but sought to better the less fortunate members through a wide range of social and economic programs. As the *Philadelphia Tribune* noted, he "understood that the progress of his race depended in large measure upon high economic standards."[666]

To implement his vision, Anderson established a kindergarten, an employment agency, a seaside summer retreat, medical dispensary, and a highly successful industrial school.[667] Founded in 1899 with the financial assistance of white philanthropists such as John Wanamaker and Robert Ogden, the Berean Manual Training and Industrial School

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[664] Ibid.

[665] Matthew Anderson, *Presbyterianism: Its Relation to the Negro* (Philadelphia: John McGill White, 1897), 36.

[666] Editorial, "Matthew Anderson," *Philadelphia Tribune*, January 19, 1928.

[667] "Berean Pastor Dies Suddenly In Hospital," *Philadelphia Tribune*, January 12, 1929.

provided inexpensive business and vocational classes for the African American community.[668] Unlike Booker T. Washington, Anderson believed that industrial education must be taught in conjunction with academic studies. He explained: "That its relation to the higher or intellectual training is as intimate as body and mind, that one cannot exist without the other, any more than that mind in the flesh could exist unless it was connected with a living, organic, puissant body."[669] Anderson's Berean was so successful that Du Bois, writing just a decade after it was established, stated: "Probably no church in the city, except the Episcopal Church of the Crucifixion, is doing so much for the betterment of the Negro."[670]

Nor was Anderson shy in expressing his opinions regarding his civil rights philosophy. In 1902, Anderson visited Washington and his Tuskegee Institute undoubtedly to gain insights to assist in the development of his fledgling school. Following his trip, Anderson wrote Washington a letter summarizing his impressions of Tuskegee Institute and its accomplishments. After initially praising Tuskegee, he delicately informed Washington that he was making two serious mistakes.[671] First, Anderson questioned whether Washington was being unduly influenced by many of his

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[668] Gregg, *Sparks From The Anvil Of Oppression*, 58; V. P. Franklin, *The Education of Black Philadelphia: The Social and Educational History of a Minority Community, 1900-1950* (Philadelphia, PA: University of Pennsylvania Press, 1979), 171.

[669] Matthew Anderson, "The Berean School of Philadelphia and the Industrial Efficiency of the Negro," *Annals of the American Academy of Political and Social Science* 33 (Jan. 1909): 112.

[670] Du Bois, *The Philadelphia Negro*, 216.

[671] Louis R. Harlan and Raymond W. Smock eds., *The Booker T. Washington Papers*, vol. 6, *1901-1902* (Urbana, IL: The University of Illinois Press 1977), 519.

former critics who sought to curry favor with him due to his enormous success. Second, he informed Washington that he was making the impression throughout the United States that he was opposed to schools for higher education for African Americans. He told Washington: "Now, I think you should set yourself right in regard to this, for I am sure you don't believe it. You believe with me, that industrial education is the education for the masses; but where one has the capabilities and the opportunity to secure a higher, or the highest, education, he should be encouraged to do so."[672] At the conclusion of what was a remarkable letter—considering Washington was at the zenith of his influence and was extremely vindictive to his critics—Anderson had the audacity to request the Wizard's blessing in publishing the critical letter.[673]

One area that particularly concerned Anderson upon his arrival in Philadelphia was the poor housing conditions encountered by African Americans. As he explained:

> One of the first things which greatly surprised us on coming to Philadelphia, the City of Brotherly Love (?) was the difficulty which colored people experienced in securing desirable homes. That they should occupy only certain districts, and these districts being situated generally in small streets, seemed to have been agreed upon by landlords generally. And from this decision, namely, that the colored people should be relegated to the slums, there seemed to be no redress. The good and bad, the pure and corrupt, the refined and vulgar, the educated and ignorant, were as by the laws of the Medes and Persians, compelled to live together. And as a result our people were being insulted all over the city whenever they attempted to get desirable homes…And what made it more discouraging there were but few colored persons, who once having rented, had accumulated sufficient funds to purchase their own homes.[674]

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[672] Ibid.

[673] Ibid.

[674] "Berean Founder Had Dreams," *Philadelphia Tribune*, February 27, 1973.

To address the such issues and inspired by the success of Century Building and Loan Association, in 1887, Anderson convened a series of conferences with African American and white leaders to discuss the establishment of a building and loan association. After the meetings convinced him of the necessity of such an organization, Anderson formally established the Berean Building and Loan Association on February 12, 1888, symbolically on Abraham Lincoln's birthday.[675] Consistent with his overall theological philosophy that focused on economic empowerment, Anderson stated its purpose "was to create of thrift among Negroes and provide means by which they could finance the purchase of desirable homes."[676]

Recognizing that financial expertise was essential to the success of such an endeavor and also realizing he had limited experience in such matters, Anderson recruited a strong Board of Directors with substantial expertise in business and financial concerns. Anderson was aware that building and loan associations were prevalent in white communities throughout Philadelphia and were successful in assisting white families of moderate means by homes. To take advantage of such financial experience, Anderson brought in several wealthy and influential whites to serve on Berean's Board of Directors, making it the first integrated building and loan association in the United

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[675] Ibid.

[676] "Berean Savings, Loan Has an Historic Past; Founded Feb. 12, 1888," *Philadelphia Tribune*, February 14, 1970.

States.[677] The integrated Board consisted of thirteen African Americans and six whites who sought to assist African Americans in their efforts to purchase homes.[678]

Anderson assumed the position of vice-president and recruited a strong management team to guide Berean. In assembling his team, he did not need to look beyond his own immediate family to find the first president of the newly formed building and loan association. Anderson's first wife was Caroline Matilda Still, a pioneering medical doctor. Caroline's father was none other than William Still, "the Father of the Underground Railroad," who also was a member of Berean Presbyterian Church.[679] Given Still's remarkable accomplishments through the course of his life, Anderson's selection provided his new endeavor with immediate credibility in both the white and African American communities. Still's decision to accept Anderson's offer and create an institution whose purpose was to create economic empowerment through home ownership fit within the construct of his broad conception of civil rights activism.

William Still was born in 1821 in Medford, New Jersey, the youngest of 18 children.[680] Levin, Still's father, purchased his freedom, relocating to Maryland in 1807, and Charity, his mother, escaped slavery to join her husband, leaving behind two of their

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677 Joseph V. Baker, "Berean B.&L. Association Among Strongest in City," *Philadelphia Tribune*, July 14, 1932.

678 Du Bois, *The Philadelphia Negro*, 226.

679 Stephen G. Hall, "To Render the Private Public: William Still and the Selling of 'The Underground Rail Road,'" *The Pennsylvania Magazine of History and Biography* 127 (Jan. 2003): 46.

680 Fergus M. Bordewich, *Bound for Canaan: The Underground Railroad and the War for the Soul of America* (New York: HarperCollins Publishers, Inc., 2005), 355.

sons. With little formal education, Still left home at the age of twenty and, after working on several nearby farms, he migrated to Philadelphia in 1844. After several years laboring in a number of menial jobs, in 1847, he was hired as a clerk for the Pennsylvania Society for the Abolition of Slavery located on North Fifth Street in Philadelphia. Following the passage of the Fugitive Slave Act in 1850, the Society sought to revive its dormant Vigilance Committee that was originally organized in 1838 to assist fugitive slaves. Still was named chairmen of the revived Committee and immediately began aggressively assisting slaves to escape from as far away as Norfolk, Virginia and Washington D.C.[681]

Under Still's leadership, the Philadelphia office became one of the main destinations of the underground railroad and it assisted an average of sixty fugitive slaves a month.[682] Still, working closely with Harriett Tubman and other underground railroad conductors, provided food and shelter to the fugitive slaves as they continued on their journey North in search of freedom. Incredibly, one of the fugitive slaves that arrived in his office was his own brother, Peter, who had been left behind and sold to another slave master in Alabama when their mother escaped slavery.[683] Also, it was to Still's office that Henry "Box" Brown arranged to have himself shipped in a crate in one of the more dramatic escapes from slavery. John Brown unsuccessfully tried to recruit Still for his

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[681] Ibid., 356.

[682] Ibid.

[683] Ibid. Peter Still and his wife, Vina, also published their slave narrative. See Kate E. Pickard, *The Kidnapped and the Ransomed; Being the Personal Recollections of Peter Still and His Wife "Vina" after Forty Years of Slavery* (Syracuse, NY: William T. Hamilton, 1856).

plan to seize the federal arsenal at Harper's Ferry and arm the thousands of slaves he was convinced would join his cause in an armed rebellion to abolish slavery. Following the unsuccessful attack, several of Brown's men, including John Brown, Jr. and James Redpath, eluded capture and journeyed to Still's office where he assisted them in escaping to Canada.[684]

Still kept detailed records regarding each of the fugitive slaves that he assisted in their attempts to secure freedom. He interviewed each person, and recorded their birth place, family history, destination, and former name, as well as any aliases. In May 1871, the Pennsylvania Anti-Slavery Society requested that he compile and publish his "personal reminiscences and experiences related to the 'Underground Rail Road'"[685] The following year, Still completed his work, *Underground Rail Road Record*, the first comprehensive history of the Underground Railroad—and one which successfully placed African Americans at the center of the narrative.

Still was also one of the founding members of the Social, Cultural, and Statistical Association of the Colored People of Pennsylvania. Established in 1860, its mission was "to diffuse knowledge of the condition & wants of the colored people, and to remove prejudice in any directions where their civil rights are discriminated thereby."[686] Under his leadership, the Association played a key role in his next civil rights campaign.

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[684] Ibid., 425; "Noted Abolitionist Dead," *Philadelphia Tribune*, July 19, 1902.

[685] Hall, "To Render The Private Public," 39.

[686] Philip S. Foner, "The Battle To End Discrimination Against Negroes On Philadelphia Streetcars: (Part I) Background and Beginning of the Battle," *Pennsylvania History* 40 (July 1973): 278.

Beginning in 1858, a number of companies began to operate street car lines in Philadelphia.[687] The companies, however, either refused to admit African Americans or segregated them by forcing them to stand on the front platform of the street car with the driver. Still endured the bitter humiliation of the segregation when he was forced to ride on the platform of a street car at night during a snow storm. As he walked home after he disembarked from the street car out of a concern for his safety, he felt "nowhere in Christendom could be found a better illustration of Judge Taney's decision in the Dred Scott case, in which he declared that 'black men have no rights which white men are bound to respect,' than are demonstrated by the 'rules' of the passenger cars of the City of Brotherly Love."[688]

In response to the segregationist policies of the street car companies, Still commenced a campaign to desegregate street cars. Still published a letter, in the *North American and United States Gazette* and reprinted widely in the anti-slavery press, condemning the practice. After his letter failed to move any of the companies, Still proposed that Social, Cultural, and Statistical Association of the Colored People of Pennsylvania circulate a petition requesting the companies end their discriminatory practices among the white leaders of Philadelphia. Despite the fact that 369 white Philadelphians signed the petition, the companies refused to alter their policies.[689]

[687] Ibid., 267.

[688] Ibid., 281.

[689] Ibid., 288-89.

Still continued his efforts through letters and by organizing community protests that culminated in a mass meeting "[t]o take into consideration the question of the Colored People and Street Cars" in January 1865.[690] The integrated meeting, attended by many prominent Philadelphians, passed a series of resolutions condemning "the expulsion of respectable persons from our Passenger Railroad cars on the ground of complexion," and demanding the companies end their discriminatory policy in the name of "justice and humanity."[691] In response, the companies proposed to resolve the issue by a poll of the passengers of the cars. Not surprisingly, on the same day that the Congress adopted the Thirteenth Amendment to the United States Constitution formally abolishing slavery, an overwhelming majority answered the question "Shall colored persons be allowed to ride in all of the cars?" with a resounding "no."[692]

With the failure of the protest efforts to achieve any meaningful results, the campaign turned to the Pennsylvania State Legislature to seek passage of a law to prohibit the companies from discriminating based upon race. In 1865, state Senator Morrow B. Lowery, described by William Lloyd Garrison as "a most radical abolitionist," introduced a bill to prohibit railroad companies from excluding African Americans from passenger cars.[693] After passing in the Pennsylvania Senate, the bill was tabled in the House of Representative despite the lobbying efforts of Still's Social, Civil

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[690] Ibid., 287.

[691] Ibid., 288-89.

[692] Philip S. Foner, "The Battle To End Discrimination Against Negroes On Philadelphia Streetcars: (Part II) The Victory," *Pennsylvania History* 40 (Oct. 1973): 355.

[693] Ibid., 362-63

and Statistical Association of Colored People and the Pennsylvania Anti-Slavery Society. Despite the defeat, Lowery, Still, and other African Americans civil rights advocates tirelessly continued to fight for passage of legislation banning the street car discrimination.

Such efforts were aided by events unfolding on a national level as Radical Republicans, led by Thaddeus Stevens and Charles Sumner, pushed the United States to adopt an expansive vision of political and civil rights. In February 1867, Pennsylvania ratified the Fourteenth Amendment to the United States Constitution mandating equal protection for African Americans. Just a month later, on March 22, 1867, Pennsylvania Governor Geary signed a law that prohibited the railroad companies from excluding or segregating African American passengers and provided for civil and criminal penalties for any violations of the law.[694] After eight years of efforts, the passage of the law was followed by a celebration in the African American community at a mass meeting. While Still was criticized by some younger African Americans for the elitist nature of some of his arguments in support of the law, most praised him for his "self-sacrificing efforts" to secure passage of the law.[695]

Still's advocacy work on behalf of African Americans was not limited to traditional civil rights activism. He was also an astute businessman and he owned and operated a successful coal and ice yard. As historian Stephen Hall explained, Still firmly believed "in the acquisition of capital by African Americans for the purpose of providing

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[694] Ibid., 373

[695] Ibid.

useful services to the black community."[696] His decision to become President of Berean Building and Loan Association fit squarely with his expansive intellectual conception of a civil rights framework that included economic development as an essential cog.

In order to get Berean Building and Loan established, Still raised funds for the initial loans through his extensive network of white philanthropists.[697] In its early years, to attract members, Berean directors went from church to church to convert people to the worth of buying homes.[698] To encourage membership as a vehicle to achieve homeownership, Berean Building and Loan published a pamphlet entitled "Helpful Hints on Homes" that explained the object and function of building and loan associations.[699] In advertisements, it encouraged African Americans to become members if they were looking for "an easy method of buying a home."[700] It held its meetings on a monthly basis in the basement of the Berean Presbyterian Church located at 1926 South College Avenue. Each month, the members met to discuss the business of the institution and pay their loans.[701] Berean commenced with fifty members, none of whom owed their home,

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[696] Hall, "To Render The Public Private," 47.

[697] Ibid., 54.

[698] "53 Years Leading Spirit In Building Homes; Honored," *Philadelphia Tribune*, March 6, 1941.

[699] Du Bois, *The Philadelphia Negro*, 226n22.

[700] "Flashes And Sparks," *Philadelphia Tribune*, July 31, 1915.

[701] Dorothy Anderson, "Wm. W. Still, Abolitionist First Berean B and L Head," *Philadelphia Tribune*, April 26, 1955.

and fifty shares of stock.[702] At the end of its first year of operation, Berean had total assets of $5,119. According to Du Bois, by 1896, it had outstanding loans in the amount of $60,000 and had assisted forty-three African Americans in purchasing homes.[703]

Under the leadership of Anderson and Still, Berean achieved strong growth in its membership and mortgage loan program. By 1907, less than twenty years after its founding, Berean had grown to over 550 members with over 6,500 shares of stock.[704] It had assisted 145 members purchase homes with an average value of $2,100 for a cumulative total of over three hundred thousand dollars. Berean had also accumulated total assets of $122,326.80.[705] By August 1915, Berean proudly boasted of assets in the amount of $218,191.70 and nearly four hundred homes had been purchased by its stock holders.[706]

After William Still died in 1902, Anderson succeeded him as President. Assisting Anderson in the day-to-day management of the organization was W. Basil Webb, who served as secretary-manager. Webb was born in Mississippi in 1868 and raised in Virginia. After completing his education in Washington D.C. area, he relocated to Philadelphia and became actively involved in real estate and politics. He worked as a

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[702] Anderson, "The Berean School of Philadelphia," 115.

[703] Du Bois, *The Philadelphia Negro,* 226.

[704] R.R. Wright, Jr., "Social Work and Influence of the Negro Church," *The Annals of the American Academy* 30 (Nov. 1907): 90.

[705] Ibid.

[706] "8 8-10 Per Cent Our Net Earnings Last Year," *Philadelphia Tribune*, August 7, 1915.

messenger for the City of Philadelphia for five different mayors before he retired in 1921. Webb devoted a significant portion of his life into building and developing Berean until his death in 1943 at the age of 75.[707]

In 1928, Anderson died suddenly from pneumonia. Following his death, Reverend Robert S. Jackson, who served on Berean's Board, became President. Jackson was born in poverty in Virginia and, after graduating from Hampton Institute, he migrated to Philadelphia.[708] He brought with him deeply held religious convictions as well as practical business experience gained as the operator of a catering business and as President of the Model Storage Company and a department store. Jackson was described as "a man of the greatest energy" and "reliable, responsible and straight."[709] He also was a confidante of department store magnate, John Wanamaker, and assisted him in his philanthropic efforts related to African Americans causes, including gifts to Washington's Tuskegee Institute.[710] In the same year, John Harris Jr., whose father, John Harris, Sr., served on the Board and owned a real estate business, joined Berean as its

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[707] "Webb, 75, In Real Estate 25 Years; B and L Leader," *Philadelphia Tribune*, February 20, 1943.

[708] "53 Years Leading Spirit In Building Homes; Honored," *Philadelphia Tribune*, March 6, 1941.

[709] Ibid.

[710] "Rev. R.S. Jackson, Berean President, Business Pioneer," *Philadelphia Tribune*, July 11, 1953.

Director.[711] Harris, Jr. brought with him nearly ten years' experience as a real estate broker in his father's business.

Under such astute leadership, Berean experienced tremendous growth and rapidly became the largest African American owned and operated building and loan association in the United States. As the *Philadelphia Tribune* stated: "It is largely due to the patient struggle and energetic usefulness of Rev. Anderson that the association enjoys such distinction."[712] By 1928, Berean had grown to over three thousand members and had assisted over two thousand, mostly African Americans, purchase homes through the provision of mortgage loans.[713] According to its annual reports filed with the Pennsylvania Department of Banking, in 1928, Berean had $721,500 in mortgage loans on stock shares; in 1929, $838,350; and in 1930, $846,550. Overall, from 1919 through 1932, Berean loaned more than $1,218,750 to home buyers and more than $726,415 in mortgages were paid off by stock maturities.[714] At the beginning of the Great Depression in 1929, Berean had over $900,000 in assets and dwarfed all other African American building and loans in Philadelphia and in the United States.[715]

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[711] "John Harris, Jr., Succeeds Webb As Berean B. L. Secy," *Philadelphia Tribune*, March 6, 1943.

[712] "Berean Pastor Dies Suddenly in Hospital," *Philadelphia Tribune*, January 12, 1928.

[713] Ibid.

[714] Joseph V. Baker, "Berean B. and L. Association Has Withstood Withdrawals." *Philadelphia Tribune*, July 28, 1932.

[715] Rosenberg, *Negro Managed Building and Loan Associations in The United States*, 53.

Following the establishment of Berean and Pioneer in 1888, fifteen years passed before several additional African American building and loan associations were established in quick succession. On March 25, 1904, the Eureka Investment Company was established with William H. Ratliff serving as President and John Durham Jones, Sr. serving as the Secretary.[716] Both Ratliff and Jones were members the African American elite in Philadelphia due to their solid employment status. Ratliff was the first porter on the first parlor car on the Pennsylvania Railroad and Jones was a United States postal worker.[717] While Eureka never grew to the size of Berean, it provided a steady stream of loans to African American borrowers for a number of decades. According to reports it filed with the Pennsylvania Department of Banking, in 1927, Eureka listed mortgage loans on stock shares in the amount of $68,200; in 1928, $73,800; in 1929, $79,000; and in 1930, $81,600.[718]

Later in 1904, the Cherry Building and Loan Association was established by the First African Baptist Church of Philadelphia, also know as Cherry Memorial Church, led by Reverend William Creditt. Founded in 1809 by a group of escaped slaves from Virginia, the First African Baptist Church was the oldest Black Baptist church in

[716] Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 2, 12.

[717] J.H. Gray, "Pennsylvania," *Chicago Defender*, February 17, 1917; "Presbyterian Layman Victim of Paralysis," *Philadelphia Tribune*, April 28, 1938.

[718] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 350; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 313; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 328; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 302.

Pennsylvania.[719] A native of Baltimore, Maryland, Creditt relocated to Philadelphia following his graduation from Lincoln College. In 1898, Creditt assumed the pastorship over the eight hundred member Church. That Creditt would seek to establish a building and loan is hardly surprising given his fine record of successful financial and business endeavors. During his tenure, the Church eliminated its debt on its property, bought its first parsonage in 1899, and, due to the growth of the congregation under Creditt's leadership, built a new granite edifice in 1906 at an approximate cost of $100,000.[720] Undoubtedly influenced by the Social Gospel movement, Creditt also successfully established and guided the Downingtown Industrial School and the Mutual Aid Insurance Society to "uplift" African Americans.

While Creditt established an industrial school similar to Tuskegee and was a proponent of separate public schools for African Americans and whites in Philadelphia, he was hardly a Washington discipline. Rather, he was an outspoken critic of racial injustice in the United States. Writing in the *Philadelphia Tribune* in 1912, Creditt commented on the dire situation encountered by African Americans, noting:

> He is marked by color wherever he goes. Only the lower forms of labor are open to him. He cannot amass wealth rapidly. Although he knows American life and American institutions, yet this same color so stamps him that only in rare cases is he given the opportunity of a full-fledged American citizen.[721]

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[719] Peggy Pinder, "First African Baptist Ends 175th birthday celebration," *Philadelphia Tribune*, July 13, 1984.

[720] Ibid.; Ruth Rolen, "Cherry Memorial's W.A. Harrod—Lost In Maze of Civic Affairs," *Philadelphia Tribune,* March 27, 1941.

[721] William A. Creditt, "Rev. William A. Creditt, D.D. Makes Strong Suggestions For the Race," *Philadelphia Tribune*, March 2, 1912.

He stated it was difficult to believe that "our nation" cannot exert any influence over "the States were our people are *lynched* without trial, without judge, without jury, and portions of the charred, riddled, mutilated and dismember bodies carried around as souvenirs."[722] He urged African Americans in the North to utilize their political power to assist in efforts to ban lynch law in the South.

As African American migrants began to pour into Philadelphia during World War I, Creditt actively sought to ease their transition to the North. After a disturbance occurred among a group of African American workers employed by the Pennsylvania Railroad, Creditt sought to investigate the matter to ensure that none of the workers lost their jobs. He visited the workers' camp located just outside Philadelphia and organized several "Social Uplift Meetings" to discuss "religion from a practical standpoint."[723] He also preached the virtues of thrift and urged the men to save their money.[724] His efforts were such a success that he sought to expand his "Social Uplift Meetings" to other Pennsylvania Railroad camps and to local steel mills that employed African Americans.[725]

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[722] Ibid.

[723] "Wide Awake Leader Organizes An Important Work: Dr. William A. Creditt Leads Movement to Help Strangers to Become Worthy Citizens," *Philadelphia Tribune*, August 19, 1916.

[724] "Dr. Creditt Pushes Work Among R.R. Employees," *Philadelphia Tribune*, September 9, 1916.

[725] Ibid.

Creditt also personally fled the sting of discrimination encountered by African Americans in the housing market as he was met with white hostility when he attempted to move to a white neighborhood in Philadelphia.[726] To address such injustices, Creditt, working in conjunction with Charles H. Brooks, who was the President of the Board of Trustees at First African Baptist Church, established the Cherry Building and Loan to provide mortgage loans for the purchase of homes by African Americans.

Brooks was chosen as secretary of the organization and was responsible for its day-to-day management until his death in 1940. Born in 1859 in Kentucky, Brooks was orphaned at a young age and received little formal schooling.[727] Even with his limited education, he taught in the public schools and, later traveled widely selling military uniforms for a manufacturing company. Later, Brooks graduated from the Spencerian Business College in 1892 and Howard Law School in 1895. Following his graduation, he established a successful law practice and real estate business in Philadelphia. He also established the Model Storage Company with Robert Jackson, President of Berean Building and Loan. He was described by the *Philadelphia Tribune* as "a business man of much experience and . . . a worker for racial uplift here [in Philadelphia]."[728]

Creditt and Brooks selected John Trower as the first President of the new building and loan. Trower, born to slave parents in Virginia, migrated to Philadelphia as a young

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[726] Gregg, *Sparks From the Anvil of Oppression*, 27.

[727] "Chas. Brooks, Churchman, Realtor, Dead," *Philadelphia Tribune*, January 18, 1940.

[728] Barnett Dodson, "Busy Life of C.H. Brooks," *Afro-American*, October 11, 1913.

man.[729] He established a tremendously successful catering business, one of his main clients was John Wanamaker, and amassed an estimated personal fortune of $1,500,000.[730] Trower was also instrumental in the formation of Downingtown Industrial College as he purchased a 110 acre farm for the school.[731] He was regarded as one of the leading business men in Philadelphia. Following Trower's death in 1911, Brooks turned to his colleague, Robert Jackson, to become President of the Cherry Building and Loan.

The Cherry Building and Loan started slowly, receiving a mere eight dollars during its first months.[732] Despite such an inauspicious beginning, by 1906 Cherry had 103 members and in that year it had assisted two people purchase their homes.[733] By 1917, Cherry had provided over $50,000 in loans for the purchase of thirty homes. It boasted that during its twelve year existence, it had never lost a dollar by a poor investment. The *Philadelphia Tribune* proudly noted: "It gives us pleasure to state that this Association is a credit to the business ability of our people, and we recommend that every one who desires to begin saving a little money, take at least one share in this

[729] G.F. Ritchings, *Evidence of Progress Among Colored People* (Philadelphia, PA: Geo. S. Ferguson Co. 1896), 306.

[730] Whittier H. Wright, "Current Happenings in the City of Brotherly Love" *Afro-American*, April 22, 1911.

[731] Hardy, *Race and Opportunity*, 46.

[732] "Two Million Corporation Has a Big Party," *Philadelphia Tribune*, May 8, 1926.

[733] Wright, *The Negro in Pennsylvania*, 85.

Association."[734] Cherry's membership grew steadily through advertisements in the *Philadelphia Tribune* and mass meetings recruiting new members.[735] Overall, its membership came primarily from members of the Church's congregation.[736]

In 1926, Cherry held a banquet attended by over two hundred people in honor of its twenty-one years of existence.[737] It announced that it had grown into a two million dollar corporation and was receiving $11,000 a month in dues from members. It continued to note that it still had not lost a penny. By that time it had assisted one hundred and fourteen persons purchase homes and had loaned $239,000 to finance such purchase.[738] According to reports it filed with the Pennsylvania Department of Banking, in 1927, Cherry listed mortgage loans on stock shares in the amount of $162,600; in 1928, $168,500; in 1929, $175,100; and in 1930, $166,150.[739]

Creditt was also instrumental in the founding of the S.J.M. Brock Building and Loan Association in June 1920. He hosted the first meeting of the organizers of the

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[734] "Splendid Progress: The Cherry Building and Loan Association," *Philadelphia Tribune*, May 8, 1915.

[735] *Philadelphia Tribune*, April 24, 1920.

[736] "Seven Thousand Dollars Distributed: A Successful Building Association," *Philadelphia Tribune*, January 13, 1917.

[737] "Two Million Corporation Has a Big Party," *Philadelphia Tribune*, May 8, 1926.

[738] Ibid.

[739] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 275; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 250; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 264; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 248.

building and loan and provided helpful assistance in ensuring the successful commencement of the association. The building and loan was named in honor of Seldon J.M. Brock who died in 1914. He was described as the "foremost real estate man of the race in Pennsylvania" who had assisted numerous African Americans in purchasing homes.[740] Led by Oliver C. Brock, the officers of the S.J.M. Building and Loan recognized the import role building and loan associations played in creating home ownership for African Americans.[741] The building and loan enjoyed modest success for a number of years. According to report it filed with the Pennsylvania Department of Banking, in 1927, S. J. M. Brock Building and Loan listed mortgage loans on stock shares in the amount of $25,500; in 1928, $31,800; in 1929, $32,200; and in 1930, $36,000.[742]

In the years following the establishment of Cherry, several additional associations were established in Philadelphia, including: the William Still Building and Loan Association in 1905; the Banneker Building and Loan Association in 1906; the Eighth Ward Settlement Building and Loan Association in 1906; and the Colored of North Philadelphia in 1906. With the exception of the Eighth Ward, little is know about these

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[740] "Brock Building Loan Pays Off Series," *Philadelphia Tribune*, December 24, 1931.

[741] "Loan Co. Pays Matured Stock," *Afro American*, January 29, 1938.

[742] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 689; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 611; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 626; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 556.

associations. Both William Still, obviously named after the famed "father of the Underground Railroad" and Banneker, possibly named after the brilliant African American author and astronomer, Benjamin Banneker, were moderately sized institutions headed by William B. Southern, an African American businessman.[743] In 1922, Richard Hill, Jr. became Secretary for the William Still Building and Loan.[744] Born in Philadelphia, Hill was a graduate of Temple University. After serving in World War I, Hill worked as a clerk at the Philadelphia Quartermaster Depot, eventually rising to branch chief. He also served as President of the Quartermaster Credit Union for several years and taught at Duncan Business School.[745] According to a report it filed with the Pennsylvania Department of Banking in 1927, William Still listed mortgage loans on stock shares in the amount of $162,600, in 1928 $168,500, in 1929 $175,100, and in 1930 $166,150.[746] Likewise, according to reports it filed with the Pennsylvania Department of Banking, in 1927, Banneker listed mortgage loans on stock shares in the amount of $162,600; in 1928, $168,500; in 1929, $175,100; and in 1930, $166,150.[747]

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[743] "Mr. Southern's New Garage On Bainbridge," *Philadelphia Tribune*, December 11, 1915.

[744] "Richard Hill, Associate of B.&L.'s Here," *Philadelphia Tribune*, May 27, 1952.

[745] Ibid.

[746] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 275; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 250; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 264; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 248.

[747] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 275; Pennsylvania Department of Banking, *Pennsylvania Building*

The Eighth Ward Settlement House was part of the larger settlement movement, most famously represented by Jane Addams and Ellen Starr's Hull House in Chicago, which sought to address urban poverty. The movement attempted to assimilate recent immigrants to the United States by instilling middle-class American values, such as thrift and homeownership, and by providing social services to address societal ills. Unfortunately, many of the leaders of the settlement movement did not believe that African Americans were capable of assimilation into mainstream America and excluded them from the settlement houses.

In response to such blatant discrimination, African Americans created their own settlement houses to assist migrants from the South and to address poverty in the North. Founded in 1897, the Eighth Ward Settlement House provided social services to poor African Americans and served as social hub for the African American community. In keeping with the overall mission of the settlement movement, the Eighth Ward provided a wide range of social, cultural, and educational activities in several departments and rooms, including: a game room; a living room with reading material; a carpet weaving room; a manual training area that focused on carpentry; a banking department that taught young children to save money with the goal of opening a bank account; a laundry room; and free baths with hot water.[748]

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and Loan Associations (1928), 250; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 264; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 248.

[748] "An Enthusiastic Big Meeting at the Eighth Ward Settlement," *Philadelphia Tribune*, January 11, 1913.

Upon his arrival in Philadelphia in 1905, Richard R. Wright, Jr. moved in to Eighth Ward Settlement House.[749] The following year, he organized and later served as President of the Eighth Ward Settlement Building and Loan Association.[750] The Association sought to provide mortgage loans to African Americans for the purchase of homes. Levi A. Cottman was selected as the Secretary of the newly formed association. Born and raised in Philadelphia, Cottman was a clerk for the United States Postal Office for a number of years.[751] He was also actively involved in the African American community as well as local politics. Cottman "was especially interested in race development and progress and entered heartily into any movement which meant the advancement of his people."[752] One of his best friends was George Mitchell, who later served as the solicitor for the Association. Cottman served as Secretary until his untimely death in 1919 at the age of thirty-nine.

To encourage homeownership, the Eighth Ward placed small and direct advertisements in the *Philadelphia Tribune* urging people to contact them if they wanted to buy a home or to select a home and join the Association.[753] In addition, prominent speakers frequently spoke at meetings at the Eighth Ward Settlement to promote building

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[749] Hardy, *Race And Opportunity*, 44.

[750] "Dr. Wright Ends 25 Years as Editor of Oldest Race Paper," *Chicago Defender*, June 16, 1934.

[751] "Death of Mr. Levi A. Cottman of W. Philadelphia," *Philadelphia Tribune*, October 4, 1919.

[752] Ibid.

[753] "Flashes and Sparks," *Philadelphia Tribune*, November 8, 1913; "Flashes and Sparks," *Philadelphia Tribune*, April 20, 1912.

and loan associations. In 1912, George H. White, the former Congressman and President of the Peoples' Savings Bank, spoke to an audience of over two hundred people on the importance of savings money.[754] Several months later, Charles Brooks, Secretary of the Cherry Street Building and Loan Association, explained the purpose and function of a building and loan and recommended it as the best method to save money.[755] Such efforts sought to educate the African American community on the importance of thrift and to encourage membership in building and loan associations, such as the Eighth Ward, as a vehicle to achieve homeownership.

By 1917, the Eighth Ward Settlement Building and Loan was hailed in the *Philadelphia Tribune* as "A Remarkable Achievement."[756] It had matured its first and second series of stock at a substantial profit of 10 to 12 percent and its third series was nearly maturity. Here, too, African Americans were encouraged to join "this progressive organization" if they wished to "buy a home or systematically save money."[757] By 1927, Mitchell was serving as solicitor and Richard Hill, Jr. had succeeded Cottman as Secretary. Overall, the Eighth Ward Settlement Building and Loan remained one of the smaller African American building and loan associations in Philadelphia but it was financially sound. According to reports it filed with the Pennsylvania Department of Banking, in 1927, Eighth Ward Settlement Building and Loan listed mortgage loans on

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[754] "Eighth Ward Settlement Had a Grand Opening Monday Night," *Philadelphia Tribune*, November 16, 1912.

[755] "An Enthusiastic Big Meeting at the Eighth Ward Settlement," *Philadelphia Tribune*, January 11, 1913.

[756] "A Remarkable Achievement," *Philadelphia Tribune*, May 12, 1917.

[757] Ibid.

stock shares in the amount of $34,300; in 1928, $35,200; in 1929, $34,400; and in 1930, $36,100.[758]

As already noted, Richard Wright, Jr. went on to become a leading figure in the African American community in Philadelphia and was a protype of Du Bois's "Talented Tenth." In addition to his involvement with Eighth Ward Building and Loan, in 1923, Wright also established, in conjunction with his work for Citizens and Southern Bank, the Citizens and Southern Building and Loan Association. Emanuel Wright, Richard's brother, served as Secretary of the Association. However, it apparently did very little business. In 1929, it reported to the Pennsylvania Department of Banking a mere $5,200 in mortgage loans on stock shares.[759]

Nor were African American building and loan associations limited to the City of Philadelphia. At least two such associations were established in suburb areas in Montgomery County directly outside Philadelphia. In 1905, the Trinity Building and Loan was established in Ardmore and in 1917 the La Mott Building and Loan Association was established in La Mott. Both Trinity and La Mott were successfully in operation for a number of years. In 1929, Trinity was described as having made "great

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[758] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 336; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 301; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 316; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 292.

[759] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 267.

progress" and had "aided many of our race in buying property."[760] In 1928, a state auditor examined the organization's financial records and found it to be in "perfect condition."[761] According to reports it filed with the Pennsylvania Department of Banking, in 1927, Trinity listed mortgage loans on stock shares in the amount of $162,600; in 1928, $168,500; in 1929, $175,100; and in 1930, $166,150.[762] La Mott was a smaller institution having listed mortgage loans on stock shares in the amount of $53,800 in 1927.[763]

The building and loan association growth trend increased dramatically beginning in 1916 as the first effects of the Great Migration began to impact Philadelphia with the new migrants creating an unprecedented demand for mortgage loans for the purchase of homes. Between 1920 and 1923 alone, fifteen new associations were established in Philadelphia and, by 1926, a total of thirty-six African American owned building and loan associations were in operation.[764] The explosive growth was also reflected in the asset expansion of the building and loans. As of 1906, African American building and

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760 *Philadelphia Tribune*, November 15, 1928.

761 Ibid.

762 Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 275; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 250; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 264; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 248.

763 Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 163.

764 Martin, *Negro Managed Building and Loan Associations in Philadelphia*, 4.

loan associations cumulatively had approximately $200,000 in resources.[765] Less than a twenty years later, in 1925, the combined capital of the associations had grown to over $5,000,000.[766]

The driving force behind this rapid expansion of the building and loan association movement among African Americans in Philadelphia was largely attributable to one person: George W. Mitchell. Born in 1865, Mitchell attended Howard University Law School and worked in the office of the Treasurer at Howard University.[767] After graduating, he relocated to Philadelphia and was admitted to practice in Pennsylvania on September 19, 1898. He opened a law office at Nineteenth and Walnut Streets.[768] As he embarked on his career, he had tremendous faith in the legal system in Pennsylvania explaining the "the laws are not only made but administered with as much fairness and impartiality as in any state in the Union."[769] Grounded in his faith in the law, Mitchell's legal philosophy was a protype of Kenneth Mack's "race uplift": he combined institutional building in the African American community with a commitment to civil rights advocacy outside the court room.

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765 Ibid., 3-4.

766 Woofter, *Negro Housing in Philadelphia*, 28.

767 Hardy, *Race and Opportunity*, 177; George Mitchell, *The Question Before Congress: A Consideration of the Debates and Final Action by Congress Upon Various Phases of the Race Question in the United States* (Philadelphia, PA: The A.M.E. Book Concern, 1918), 212.

768 "Colored Lawyers Have Made Good in Philadelphia," *Philadelphia Tribune*, October 25, 1919.

769 Mitchell, *The Question Before Congress*, 144.

Nevertheless, most likely, Mitchell struggled early to develop his practice as African Americans were often reluctant to retain African American lawyers. As historian Carter Woodson discovered in his research on black lawyers, some African American business men believed that they were not properly trained nor did they understand modern "economic theories."[770] Seeking other legal markets, Mitchell recognized that large numbers of Jews had settled among the African American population residing in South Philadelphia. In order to develop his practice in the absence of an African American clientele, Mitchell learned Yiddish and developed a Jewish clientele.[771]

Mitchell also rapidly developed an expertise in real estate and his legal acumen was widely praised, as the *Philadelphia Tribune* explained: "George W. Mitchell is the one colored lawyer whose careful and faithful management of the vast real estate operations confided to his care has made him an important factor in the real estate field in the city and suburbs."[772] Mitchell's work in real estate focused upon organizing and providing legal advice to the African American building and loan movement. From 1905 until his death in 1931, he was responsible for the establishment of nearly all of the African American building and loan associations in Philadelphia as evidenced by the fact

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[770] Carter G. Woodson, *The Negro Professional Man and the Community with Special Emphasis on the Physician and the Lawyer* (New York: Negro Universities Press, 1928), 235-36.

[771] Hardy, *Race and Opportunity*, 177.

[772] "Colored Lawyers Have Made Good in Philadelphia," *Philadelphia Tribune*, October 25, 1919.

that his name was found on the application for charter filed with the Commonwealth of Pennsylvania.[773]

Mitchell was involved with the founding of some of the earlier building and loans, including: Eureka Investment Company; William Still Building and Loan; and Banneker Building and Loan. He rapidly expanded the movement with the organization and establishment of Castle Hall Building and Loan Association in 1913; Women's Building and Loan Association in 1919; Haven Building and Loan Association in 1921; the Good Samaritan Building and Loan Association in 1922; and Wide Awake Building and Loan Association in 1922. (See Table 6. Mortgage Loans on Stock Shares – Total Dollar Amounts 1927-1930). Again, little is know of the institutions with the exception of the Women's Building and Loan Association.

Table 7. Mortgage Loans on Stock Shares For B & L Total Dollar Amounts, 1927-1930

Building and Loan	1927	1928	1929	1930
Castle Hall BLA	$60,100.00	$56,000.00	$54,600.00's	$52,400.00
Woman's BLA	$37,050.00	N/A	$46,450.00	$45,950.00
Good Samaritan BLA	$20,500.00	$22,300.00	$32,000.00	$38,000.00
Wide Awake BLA	$40,000.00	$48,700.00	$54,800.00	$54,300.00
Haven BLA	$35,150.00	$42,350.00	$46,250.00	$48,000.00

Source: Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927-1930).

773 Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 4.

Founded in 1920, the Women's Building and Loan Association had the unique distinction of not only being an African American owned and operated building and loan, but also being the only all-women building and loan association in Pennsylvania, and possibly the United States.[774] George Mitchell was the only male associated with the Association, helping it become established and serving as solicitor. Under the leadership of Viola Lee Hill, who served as President, and Mary Cowdery, who served as Secretary, the Association was well-managed and its accountant rated it as "in the best financial shape in comparison with many other and larger associations of all races."[775] It was organized for the sole purpose of assisting home buyers and none of its officers were salaried. By 1932, it had made possible the purchase of over one hundred homes in Philadelphia.[776]

During an interview in 1927, Mitchell offered some extended comments regarding the African American building and loans movement. He explained the most of the organizations were sound financially, noting: "[i]n thirty years of experience it has never known a crash, and it is difficult to fail, given any sort of honest management, because no salaries are paid, and all directors take an active interest."[777] An additional

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[774] "Viola Lee Hill Heads Strong B. and L. Group," *Philadelphia Tribune*, December. 8, 1932.

[775] Ibid.

[776] "Viola Lee Hill Heads Strong B. and L. Group," *Philadelphia Tribune*, December 8, 1932.

[777] Woofter, *Negro Housing in Philadelphia*, 27.

bulwark of protection was afforded by annual reporting requirements to the Pennsylvania Department of Banking as well as strict laws governing the associations. As a type of financial institution, the associations also required access to a secure source of credit separate and distinct from its member assets. Due to the small number of African American banks, most associations dealt with white owned banks for borrowing and depositing their funds.[778]

Mitchell also commented that some associations closed due to lack of members as opposed fraud or some other nefarious activity of the directors. To avoid such a fate, he stated that associations' directors were constantly attempting to obtain new members. While some associations were affiliated with churches, he explained that membership was "really general, especially with the older and stronger associations."[779] African American building and loan associations also tended to be lenient with their members in the event they encountered of financial hardship that impacted their ability to meet their mortgage obligations. As Mitchell explained:

> There are few foreclosures in the colored building and loan associations. The directors coax a home buyer along rather than have him lose, partly because of the effect on other members. If a borrower can keep up the interest on his loans, he is carried until he can commence to make good again. The only foreclosures in 25 years have been where a death in the family left no resources for paying out.[780]

Ordinarily, Mitchell's involvement with an association did not cease after it obtained its charter from the Commonwealth. He usually continued his involvement as

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[778] Ibid.

[779] Ibid.

[780] Ibid.

evidenced by the fact that he served as solicitor for at least twenty associations and he attended nearly every monthly meeting of the associations.[781] The role of the solicitor was vitally important as he was tasked with handling all legal matters associated with the loans originated by a building and loan association. Economist William Loucks explained the details of the solicitor's role: "[w]hen a new loan is made he draws up the deed and mortgage, sees that each is properly recorded, arranges for title insurance and the issuing of a sheriff's sale certificate, and handles other legal details of the transaction."[782] In short, the solicitor was responsible for "making settlement" on the loan and, typically, was paid a fee of twenty-five dollars by the borrower for his services.[783] As solicitor, Mitchell's financial and legal advice erred on the conservative side, selecting only the safest mortgages for origination by the associations.[784] Mitchell also served as editor and publisher of a magazine for the African American building and loan associations known as *The Monthly Home Visitor*.[785] Published for a number of years, the magazine was "devoted to the interest of these associations" and was distributed by the associations to their numerous members.[786]

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[781] Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 4.

[782] Loucks, "The Philadelphia Plan of Home Financing," 14.

[783] Ibid., 14-15.

[784] "Viola Lee Hill Heads Strong B. and L. Group," *Philadelphia Tribune*, December 8, 1932.

[785] Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 4.

[786] Ibid.

Mitchell's real estate practice focusing on the building and loan movement was not a simple profit making endeavor but rather an integral component of his overall civil rights activism that placed him at the vanguard of Du Bois' "Talented Tenth." Mitchell was at the forefront of Du Bois' effort to establish a new civil rights organization to challenge Washington's accommodation philosophy. After attempts to collaborate with Booker T. Washington in an organization known as the Committee of Twelve collapsed, Du Bois determined that the time had arrived to directly challenge the Wizard of Tuskegee. In June 1904, Du Bois circulated a call to "organized determination and aggressive action of the part of men who believe in Negro Freedom and growth" and to fight the "present methods of strangling honest criticism."[787]

Mitchell and Richard R. Wright, Jr., were among the fifty-nine prominent African Americans who signed Du Bois' call to join a conference designed to form an organization that became known as the Niagara Movement.[788] On July 10, 1905, thirty people arrived in Fort Erie on the Canadian side of Niagara Falls for the conference "to inaugurate a permanent national forward movement."[789] After several days of meetings, the conference participants developed an institutional structure for the new organization

787 David Levering Lewis, *W.E.B. Du Bois: Biography of a Race* (New York: Henry Holt and Company, 1993), 316.

788 "The Niagara Movement," University of Massachusetts, W.E.B. Du Bois Library, http://www.library.umass.edu/spcoll/digital/dubois/312.2.839-01-09.pdf (accessed March 3, 2011).

789 Ibid.

consisting of an executive committee comprised of a chairperson of each Niagara state chapter and ten special committees.[790]

In addition to adopting a Constitution and By-Laws, the conference attendees issued a "Declaration of Principles." Initially, the Declaration noted the progress African Americans had made in the ten previous years, specifically noting "the buying of property."[791] In soaring prose, undoubtedly authored by Du Bois, it proceeded to detail the oppressed status of African Americans in a wide range of areas such as suffrage, economic opportunity, and education. In the face of such obstacles, it concluded with a bold pronouncement of defiance, declaring: "we do not hesitate to complain, and to complain loudly and insistently . . . . Persistent manly agitation is the way to liberty, and toward this goal the Niagara Movement has started and asks the co-operation of all men of all races."[792] The Declaration was one of the opening salvos to challenge Washington's position of accommodation and, as historian David Levering Lewis explained, the Niagara Movement was "the first collective attempt by African Americans to demand full citizenship rights in the twentieth century."[793]

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[790] Lewis, *W.E.B. Du Bois: Biography of a Race*, 321.

[791] "The Niagara Movement Declaration of Principles 1905," University of Massachusetts, W.E.B. Du Bois Library, http://www.library.umass.edu/spcoll/digital/dubois/312.2.839-01-07.pdf (accessed March 2, 2011).

[792] Ibid.

[793] Lewis, *W.E.B. Du Bois: Biography of a Race*, 321.

While Mitchell did not attend the meeting in Canada, he was appointed the Niagara Movement's Secretary for Pennsylvania and was actively involved with the development of the organization. As Secretary, Mitchell provided regular reports regarding the progress of the movement as well as general observations regarding the state of affairs of African Americans in Pennsylvania. In 1908, Mitchell reported that the individual members of the Niagara Movement were active in prompting the principles of the organization but had limited public gatherings. Mitchell noted that for more than a year he had been "waging almost single handed" the "fight against segrating [sic] colored children in the public schools of Philadelphia."[794] He explained that some members of the African American clergy favored separate schools, most likely a reference to William Creditt, and that the African American community was split over the issue. Since Republican President Taft was also in the midst of campaigning for re-election as President, Mitchell also elaborated on the changing political dynamic in Philadelphia as some African Americans had begun "to see the difference between the party of Sumner, Julian and Hale and the posthumous bastard political organization which now claims these men as its father."[795]

In 1909, Mitchell again reported at the Niagara Movement Conference regarding the work and general conditions in Pennsylvania. He reported that limited progress had been made on raising funds for a monument in honor of John Brown, his principal

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[794] George Mitchell, "Niagara Movement Report of the Secratry (sic) for the State of Penna. Oberlin, O. Meeting Aug. 31-Sep. 2, 1908," University of Massachusetts, W.E.B. Du Bois Library, http://www.library.umass.edu/spcoll/digital/dubois/312.2.839-08-06.pdf (accessed on March 5, 2011).

[795] Ibid.

assignment from the previous year. Again, he commented on the public school situation in Philadelphia. He explained that the Superintendent of the Philadelphia public schools, Martin Brumbaugh, supported the creation of additional separate African American schools and had successfully convinced the Pennsylvania legislature to make separate schools compulsory. However, following a storm of protest from the African American community, the Governor vetoed the proposed legislation. Mitchell concluded that silenced many separatists who had allied themselves with the Superintendent and resulted in more schools being turned over to "colored teachers though other childredn [sic] may attend if they chose."[796] Mitchell also provided a follow-up to the presidential election of the previous year. While William Howard Taft had soundly defeated his Democratic opponent, William Jennings Bryant, Mitchell noted that Republicans were losing support among African Americans.

After several years, the Niagara Movement collapsed due to financial difficulties and internal dissention, and formally disbanded in 1910. Unfortunately, the Niagara Movement was never able to match the eloquence of its Declaration of Principles in terms of developing an institutional movement. Nevertheless, the Niagara Movement is largely credited as the forerunner of the National Association for the Advancement of Colored People (NAACP). Mitchell and Wright, Jr. were founding members of the

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[796] George Mitchell, "Report of the Secretary for the State of Pennsylvania to the N.M. Conference Held at Sea Isle City, N.J. Aug. 15 To 18th, 1909," University of Massachusetts, W.E.B. Du Bois Library, http://www.library.umass.edu/spcoll/digital/dubois/312.2.839-10-11.pdf (accessed on March 5, 2011).

NAACP's Philadelphia chapter that was established on February 2, 1911, and Wright also served on the Executive Committee for the national NAACP.[797]

Mitchell was also a skilled historian and a founding member of the American Negro Historical Society in Philadelphia.[798] Working in conjunction with Rev. Matthew Anderson, Rev. Henry L. Phillips, and several other prominent African Americans, the society was created to "collect relics, literature and historical facts in connection with the African race, illustrative of their progress and development."[799] The society met on a monthly basis to discuss historical issues of interest to its members and convened public lectures to celebrate African American achievements.

In 1918, after meticulously reviewing the original records of Congress, Mitchell published a detailed history of the national politics of race, entitled *The Question Before Congress: A Consideration of the Debates and Final Action by Congress Upon Various Phases of the Race Question in the United States.* Mitchell's work also provided keen insight into his overall intellectual perspective on the intersection of race and class. He stated: "The world has always had a so-called race question, which is but another name for the struggle on the part of one mass, class or individual for mastery over another, or the attempt to adjust relations to their mutual advantage while striving to achieve group ideas."[800]

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[797] Hardy, *Race and Opportunity*, 202.

[798] "G.W. Mitchell Dies Suddenly at Residence," *Philadelphia Tribune*, October 1, 1931.

[799] Franklin, *The Education of Black Philadelphia*, 90.

[800] Mitchell, *The Question Before Congress*, 9.

A substantial portion of Mitchell's history also focused upon the Reconstruction era. At the time of its publication, William Archibald Dunning, a professor of history at Columbia University, and his protégés dominated the historical narrative of the Reconstruction era. Du Bois described the three basic components of the Dunning narrative: "first, endless sympathy with the white South; second ridicule, contempt or silence for the Negro; third, a judicial attitude towards the North, which concludes that the North under great misapprehension did a grievous wrong, but eventually saw its mistake and retreated."[801]

Preceding Du Bois' masterpiece, *Black Reconstruction In America,* by seventeen years, Mitchell's narrative joined the works of a small number of other African American academics who sought to challenge the prevailing Dunning historiography. In a veiled reference to the Dunning scholarship, Mitchell explained: "Most popular histories, there fore, are written, not to record the truth as it is found, but rather to boost or to disparage the memory of some party or cause."[802] Though ignored by white academia, Mitchell presented a balanced portrait of Reconstruction era that was largely devoid of the historical hyperbole that characterized much of the Dunning scholarship. To Mitchell, Thaddeus Stevens and Charles Sumner's fight for civil rights in the halls of Congress represented the best of American politics and the Freedman's Bureau and its system of public schools were praised as instruments of progress as opposed to heaped with scorn.

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[801] David Levering Lewis, *W.E.B. Du Bois: The Fight for Equality and the American Century 1919-1963* (New York: Henry Holt and Company, 2000), 354.

[802] Mitchell, *The Question Before Congress*, 7.

In 1931, after a long illness, Mitchell died at the age of sixty-five. Mitchell paved the way for a new generation of African American lawyers in Philadelphia who embraced the importance of economic development through homeownership as a central tenant of the larger civil rights struggle. Mitchell also left behind as his legacy a large and financially secure network of African American building and loan associations that was unmatched in the United States. I. Maximilian Martin, Director of the Commercial Department at the Berean School, writing in 1936, explained: "[Mitchell's] sane, conservative advice on management and his knowledge of real estate values are in no small measure responsible for the present satisfactory condition of many of the associations."[803]

Prior to his death, Mitchell had taken into his law practice a young lawyer named Herbert E. Millen.[804] Born in 1892, Millen's family operated a tobacco farm in Strasburg, Pennsylvania. After completing high school, he attended and graduated from Lincoln University in 1912. While working in the evenings at the United States Post Office in Philadelphia, he attended the University of Pennsylvania Law School. In 1920, he graduated and was admitted to practice law. A short time later, he joined Mitchell's firm and became active in politics in Philadelphia. Mitchell groomed his protégée in the

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[803] Martin, *Negro Managed Building & Loan Associations in Philadelphia*, 4.

[804] "G.W. Mitchell Dies Suddenly at Residence," *Philadelphia Tribune,* October 1, 1931.

practice of law as it related to the building and loan movement. Eventually, Millen served as a solicitor to approximately thirty building and loan associations.[805]

Like Mitchell, Millen was also a traditional civil rights activist. Millen led the Legal Aid Committee of the NAACP's Philadelphia Chapter and, in November 1929, became President of the Branch.[806] He was actively involved in the effort to prevent the segregation of the public schools in Philadelphia, focusing on possible legal avenues to challenge such efforts.[807] After Mitchell's death, Millen became immersed in politics. After actively campaigning on his behalf in 1930, Governor Gifford Pinchot appointed Millen as Deputy Attorney General.[808] Later, Attorney General William Schnader assigned Millen to represent the Commonwealth in possible lawsuits challenging the efforts to segregate public schools in several suburbs outside of Philadelphia.[809]

Mitchell and Millen were not alone in their efforts to incorporate access to credit and homeownership into the broader civil rights movement as other members of Du Bois' "Talented Tenth" contributed to the development of African American building and loan association's movement in Philadelphia. Born in Charleston, South Carolina, Isadore Martin spent twenty years teaching in schools in Georgia and North Carolina with the

[805] "Arose From Farm Boy to Judge: All Philadelphia Mourns Death of Judge Herbert E. Millen at 67," *Philadelphia Tribune*, July 28, 1959.

[807] Franklin, *The Education of Black Philadelphia*, 79.

[808] "Arose From Farm Boy to Judge: All Philadelphia Mourns Death of Judge Herbert E. Millen at 67," *Philadelphia Tribune*, July 28, 1959.

[809] Franklin, *The Education of Black Philadelphia*, 141.

American Missionary Association of the Congregational Church.[810] His exposure to the brutalities of the segregated system of the South convinced Martin that he needed to relocate to a more hospitable location to raise his children. After visiting several cities, in 1913, Martin and his family moved to Philadelphia and, after borrowing some money to get started, he opened a real estate office. He entered the real estate field to take advantage of his interpersonal skills, limited capital requirements, and to capitalize on the emerging market of recent African American migrants in search of housing.[811] To further develop his real estate practice, Martin served as President of the Associated Real Estate Brokers of Philadelphia, described as "a non-profit organization whose purpose is to better housing conditions and encourage home ownership amount colored people in the city of Philadelphia and vicinity, and promote cooperation among those who are engaged in that field."[812]

Frustrated by the limited ability of his clients to obtain mortgage loans for the purchase of homes, Martin established the St. Mark's Building and Loan Association in June 1917 and retained Mitchell to serve as solicitor of the Association.[813] The Association started small with only a few hundred dollars in assets and monthly receipts of less than one hundred dollars.[814] It gradually grew by offering shares of stock to

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[810] Hardy, *Race And Opportunity*, 280.

[811] Ibid.

[812] Martin, *Negro Managed Building & Loan Associations in Philadelphia* 13.

[813] Hardy, *Race and Opportunity*, 281.

[814] "287,100 Loaned By St. Mark's B.&L.," *Philadelphia Tribune*, July 6, 1933.

members twice a year to “provide an easy, convenient and systematic way to save either to buy a home or for other purposes.”[815] According to reports it filed with the Pennsylvania Department of Banking, in 1927, St. Mark’s listed mortgage loans on stock shares in the amount of $121,900; in 1928, $135,400; in 1929, $137,300; and in 1930, $128,700.[816]

Martin also became active in the NAACP’s Philadelphia Branch and served as President throughout the 1920s. Under his leadership, the NAACP’s Philadelphia Branch adopted a conservative posture reflective of the fact that most of its membership was composed of middle class African Americans.[817] Nevertheless, Martin led the NAACP as it fought efforts to segregate the public schools of Philadelphia and he was also prominent in several high profile criminal cases involving African Americans. The NAACP’s membership, regardless of class, understood the importance of homeownership. In 1930, of the thirty-six members who were employed in lower status jobs, twenty-six (72.2 percent) were homeowners; a remarkable statistic when the overall homeownership rate among African Americans was 15.4 percent.[818] Such a high percentage of homeowners among the NAACP members with limited financial means

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[815] Ibid.

[816] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927), 697; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 617; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1929), 633; Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1930), 562.

[817] H. Viscount Nelson, “The Philadelphia NAACP: Race Versus Class Consciousness During the Thirties,” *Journal of Black Studies* 5 (Mar. 1975): 256

[818] Ibid.

suggests their understanding of the importance of economic development in the context of the civil rights struggle.

In several prominent cases, Martin worked closely with Raymond Pace Alexander, perhaps the foremost African American civil rights attorney in Philadelphia. Alexander was born in 1898 in Philadelphia to Hilliard and Virginia Alexander, both former slaves from Virginia. He attended the prestigious Central High School and earned a four year scholarship to attend the University of Pennsylvania. Alexander became the second African American to graduate from the University of Pennsylvania's renowned Wharton School of Finance with a Bachelor of Science degree in economics. He graduated with honors and received the highest grade of "Distinguished" in banking, economics, finance, sociology, and corporate law.[819]

Following his graduation, Alexander sought to put his business credentials to work by seeking a job with one of major banks located in Philadelphia. Despite his outstanding academic pedigree, the bank was only willing to hire him in its foreign office located in Rio de Janeiro in Brazil.[820] This was hardly Alexander's first encounter with the blatant race discrimination of the North. While a student at the University of Pennsylvania, Alexander was escorting his future wife, Sadie Tanner Mossell Alexander, and two of her friends to a movie theater. After purchasing their tickets, the four students were denied admission due to a purported mix-up with the tickets. Immediately, Alexander began speaking in Spanish with the others joining in with French phrases.

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[819] David A. Canton, *Raymond Pace Alexander: A New Negro Lawyer Fights for Civil Rights in Philadelphia* (Jackson, MS: University Press of Mississippi, 2010), 3-14.

[820] Ibid., 15.

Upon hearing the foreign languages, the theater manager stated, “Why, they are not Niggers!” and proceeded to admit them to the theater. Alexander and Mossell with typical youthful exuberance, proclaimed: “if we ever become lawyers, we are going to break this thing—segregation and discrimination. And, yes—we are going to open up those restaurants, too. You just wait! Just wait.”[821]

Fulfilling his prediction, in the fall of 1920, Alexander enrolled at Harvard Law School. Alexander and his African America classmates, such as Charles Hamilton Houston, were convinced that the legal system as the best tool to challenge racial discrimination and segregation. The budding lawyers were deeply influenced by the sociological jurisprudence advanced by Dean Roscoe Pound and Felix Frankfurter, two of the foremost legal minds of their generation that directly challenged the prevailing formalistic application of the law that was characteristic of the Classical Legal Thought. Originally founded by Baron Charles Louis de Montesquieu and further developed by Eugen Ehrlich, the sociological school of jurisprudence argued that the law must be interpreted in conjunction with the larger social and economic forces behind the law. As Pound explained: “I am content to think of the law as a social institution to satisfy social wants—the claims and demands and expectations involved in the existence of civilized society . . . in short, a continually more efficacious social engineering.”[822] Houston and Alexander incorporated the concept of “social engineering” into, as legal scholar Kenneth Mack argues, a “race uplift” school of jurisprudence that adopted a voluntarist strand that

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[821] Ibid., vii.

[822] Roscoe Pound, *Introduction to the Philosophy of Law* (New Haven, CT: Yale University Press, 1922), 43.

emphasized institution building within the African American community and a legalist strand that engaged in civil rights activities.[823]

Following his graduation, Alexander was again rejected for employment, this time by a prominent law firm in Philadelphia. Upon arriving for his interview, at which time his race became apparent for the first time, he was told "I am very sorry, we can't use you."[824] After briefly working for John R.K. Scott, a white attorney and state representative, in 1923, shortly after passing the Pennsylvania Bar exam, he opened his own law office in the Brown and Stevens Bank building. Alexander rapidly developed a reputation as a skilled lawyer following prominent court room victories in several criminal and personal injury cases.

According to historian David Canton, from 1925 to 1935, Alexander embraced a "New Negro radicalism" that consisted of litigation and mass demonstrations combined with the "black organizational and institution building." Alexander immersed himself into the civil rights struggle in Philadelphia with direct challenges to the segregation of African Americans in public accommodations. Alexander's initial litigation efforts sought to use Pennsylvania's Equal Rights Law of 1887 to attack the discriminatory polices espoused by several theaters. Alexander's efforts to challenge such practices met with mixed success due in part to the legal limitations of the law.

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[823] Kenneth W. Mack, "Rethinking Civil Rights Lawyering and Politics in the Era Before *Brown*," 352.

[824] Raymond Pace Alexander, "Blacks and the Law," *New York State Bar Journal*, 15 (Jan. 1971): 15.

In 1935, following the passage of a new Equal Rights Law that had "some nasty, sharp-edged teeth," Alexander and Houston conferred to develop a strategy to enforce the new law.[825] Both agreed to wait several months for a proper test case as the opponents of the law had predicted that African Americans would flood the courts with frivolous lawsuits following passage of the law. Just weeks later, Alexander had several test cases, two involving the outright denial of service to African American customers and another involving a restaurant that "deliberately adulterated the food with thick layers of salt."[826] In January 1936, Alexander commenced litigation and was successful in both cases involving the denial of services and both businesses were forced to pay a fine. However, in the third case, an all-white jury ruled that "giving too much salt was not a refusal to serve" and, thus, the law was not violated.[827] Nevertheless, after over a decade of efforts, Alexander had successfully challenged the scourge of discrimination in public accommodations in Philadelphia.

Alexander also understood the importance of economic development in the black community as evidenced by his involvement in significant institution building. Alexander understood that the Great Migration had a tremendous economic impact on the urban centers in the North, resulting in the development of African American businesses. He urged black lawyers to broaden their practice beyond the traditional area of criminal law into areas such as property law to provide the legal support necessary for the growth

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[825] Canton, *Raymond Pace Alexander*, 56.

[826] Ibid.

[827] Ibid., 57.

of such indigenous businesses.[828] In keeping with such an objective, he served as trustee for the Citizens and Southern Bank ant Trust Company and also was the solicitor for S.J.M. Brock Building and Loan Association and Shiloh Building and Loan Association.

Alexander also led by example as his solo practice blossomed into the foremost African American law firm in Philadelphia, employing a number of African American lawyers trained at elite law schools in the North.[829] Among those lawyers was his wife, Sadie Tanner Mossell Alexander. An incredibly accomplished civil rights advocate in her own right, she was the first black women admitted to the Pennsylvania Bar following her graduation from the University of Pennsylvania Law School in 1927. He was also a key figure in National Bar Association, established in 1925 in response to the American Bar Association's refusal to admit African Americans to membership. He served as the organization's president in 1929 and encouraged the members to fight for civil rights, economic development, and encouraged political participation.

While Mitchell, Alexander, and Millen spearheaded the founding and growth of the African American building and loan movement, its institutional pillars were the African American churches of Philadelphia. Mitchell explained the prevalence of the African American building and loan movement in 1927: "[n]ow the ground is practically all covered by districts, by groups, through interested real estate men, but principally through churches."[830] Indeed, instrumental in the growth of the movement was the

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[828] Ibid., 36.

[829] Ibid., 34-36.

[830] Woofter, *Negro Housing in Philadelphia*, 27.

involvement of the black churches whose leaders preached the gospel of thrift and homeownership and were actively involved in the associations. As Joseph F. Trent, a black contractor and builder, stated: "Officers of the churches are officers of the building and loan associations, and are interested in seeing that every members has a chance to join."[831] Following in the successful footsteps of Berean Presbyterian Church and the First African Baptist Church of Philadelphia, at least six building and loan associations were established from 1919 to 1924 that were directly affiliated with African American churches, including: African Zoar Methodist Church; St. Simon's Church; Shiloh Baptist Church; St. Paul Baptist Church; Miller Memorial Baptist Church; and Calvary Baptist Church. (See Table 7. Mortgage Loans On Stock Shares – Total Dollar Amounts 1927-1930).

Table 8. Mortgage Loans On Stock Shares Church B& L Total Dollar Amounts, 1927-1930

Building and Loan	1927	1928	1929	1930
African Zoar BLA	$5,600.00	$11,700.00	$17,200.00	$26,300.00
St. Simon BLA	$104,800.00	$106,700.00	$118,450.00	$135,752.23
Shiloh BLA	$57,400.00	$71,300.00	$82,300.00	$90,700.00
Miller Memorial BLA	$72,200.00	$71,100.00	$78,300.00	$82,300.00
Calvary BLA	$39,850.00	$54,550.00	$52,050.00	$61,900.00

Source: Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1927-1930).

[831] Ibid.

Originally founded in 1895 as a Sunday school in the home of Bettie Houston, in 1919, the Miller Memorial Baptist Church established a building and loan association.[832] The impetus for its establishment came from Reverend Wilkins E. Jones, a migrant who left Virginia in 1893 and came to work at the Philadelphia Steel Works Plant.[833] He strongly encouraged African Americans to own their own businesses and to buy their homes.[834] To further the twin objectives of his vision, he established a building and loan association and served as its President. He also organized the North Philadelphia Business and Professional Men's Association whose purpose was encouraging patronage of African American businesses and create jobs in the community.[835] The Association, with Mitchell serving as solicitor, prospered and, by 1935, it had grown into the fourth largest African American association in Philadelphia. After Jones died in 1935, Miller Memorial became embroiled in a bitter dispute regarding the proper successor to the church's pastor position pitting Jones son, Reverend John L. Jones, against the church's deacons and trustees.[836] After court invention, Jones formally succeeded his father as

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[832] "Miller Memorial History," http://millermemorial.org/HISTORYpg.htm (accessed on March 2, 2011).

[833] "Rev. W.E. Jones Dead; Was Ill For Three Years," *Philadelphia Tribune*, Nov. 28, 1935, 1.

[834] "Miller Memorial History," http://millermemorial.org/HISTORYpg.htm (accessed on March 2, 2011).

[835] "N. Philadelphia Business Asso. Aids Community," *Philadelphia Tribune*, March 1, 1934.

[836] "Pastor vs. Deacons, Trustees in Miller Memorial Baptist Court Case; Master Named," *Philadelphia Tribune*, June 18, 1936.

pastor in 1936.[837] Unfortunately, in 1935, the association was placed in receivership, most likely falling victim to the internal dissention.[838]

Likewise, over thirty years after founding the St. Paul's Baptist Church in 1890, Reverend Edward W. Johnson established the St. Paul Building and Loan Association in March 1920. Shortly after its founding, Johnson, serving as President, appointed Fleming Tucker as Secretary of the Association. Tucker was a graduate of Atlanta University and two technical schools in Boston where he studied banking, finance, and business administration. In addition to being an authority on bank management, he was also a highly regarded accountant and auditor. Tucker was also an attorney who was first admitted to practice law in Georgia. After practicing for several years in Savannah, he moved to Philadelphia in 1921 and was admitted to the Pennsylvania bar as was his father, A. L. Tucker. The *Philadelphia Tribune*, in describing him, stated: "No young man has come to Philadelphia in recent years that has possessed higher qualification or is better prepared to weld himself into the life of the people of our community than Mr. Tucker."[839] Tucker used his skills to expand the building and loan as well as serving as Secretary and Promoter of John Asbury's Keystone Cooperative Bank. According to its

[837] "Court Settles Church Fight," *Philadelphia Tribune*, September 17, 1936.

[838] Rosenberg, *Negro Managed Building and Loan Associations in the United States*, 47.

[839] "Prominent Young Southern Attorney Admitted to the Pennsylvania Bar," *Philadelphia Tribune*, August 6, 1921.

report filed with the Pennsylvania Department of Banking in 1928, St. Paul had issued over $43,000 in mortgage loans on stock shares.[840]

In the same year, St. Simon Church also established a building and loan association. Originally founded as the Church of the Crucifixion, Reverend Henry L. Phillips, the charismatic, Jamaican-born rector, implemented a number of social welfare programs to benefit the elderly, sick, homeless, and impoverished.[841] Du Bois commented that no other Church provided more for the betterment of the African American community.[842] In 1897, the Church changed its name to St. Simon the Cyrenian Protestant Episcopal Church, choosing its name to commemorate the person of color from North Africa who carried Jesus' cross.[843]

In May 1909, Reverend John R. Logan, Sr. assumed the rectorship of St. Simon's Church.[844] He continued and expanded the vision of Reverend Phillips during his forty-five years of leadership. A central component of his vision was economic development through homeownership as demonstrated by the founding of St. Simon Building and Loan Association on April 29, 1920. Logan served as President and it rapidly grew into one of the largest African American owned building and loan associations in Philadelphia. He was close with George Mitchell as evidenced by the fact that he

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[840] Pennsylvania Department of Banking, *Pennsylvania Building and Loan Associations* (1928), 618.

[841] "St. Simon's Celebrating its Centennial," *Philadelphia Tribune*, May 6, 1994.

[842] Du Bois, *The Philadelphia Negro*, 216.

[843] "St. Simon's Celebrating its Centennial," *Philadelphia Tribune*, May 6, 1994.

[844] Ibid.

officiated at his funeral service.[845] By 1935, St. Simon was the fourth largest African American building and loan association in terms of total resources—$105,381.66.[846]

Several years later, the Zoar Community Building and Loan Association was established by the African Zoar Methodist Church. In 1792, a group of African Americans in Philadelphia left the St. George's Methodist Church to protest the discriminatory practices they encountered within the congregation. Two years later, the group was granted recognition as the African Zoar Methodist Church.[847] The members chose to include African in the name as a way to embrace their religious and cultural past and Zoar was chosen from the Bible representing a "spiritual life-giving station, a place of refuge and shelter."[848] The Church was primarily a working class congregation and, in its early years, was active in the fight to abolish slavery, serving as a stop on the Underground Railroad and holding public meetings in support of the Vigilant (Fugitive) Association. The Church grew rapidly and provided a wide range of spiritual, social, and economic services to it congregation, including: a local community center; a "Well-Baby Clinic"; homemaking and sewing classes; providing office space to the Armstrong

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[845] "G.W. Mitchell Dies Suddenly at Residence," *Philadelphia Tribune*, October 1, 1931.

[846] Martin, *Negro Managed Building& Loan Associations in Philadelphia*, 8.

[847] "Zoar Methodist has 200th Anniversary," *Philadelphia Tribune*, March 11, 1994.

[848] Ibid.

Association—the Philadelphia Branch of the Urban League; and a building and loan association.[849]

In 1924, Dr. W. Harry Barnes, a member of the Church's Board of Directors, founded the Zoar Community Building and Loan Association to provide a source of financing for African Americans seeking to buy homes. Born in Philadelphia, Dr. Barnes was a graduate of the University Of Pennsylvania Medical School and later became the first African American admitted to a specialized medical board – the American Board of Otolaryngology.[850] In his illustrious career, Dr. Barnes also served as an Assistant Surgeon in the United States Public Health Service during World War I, was member of the NAACP's Philadelphia Branch, and served as an Assistant Secretary-Treasurer for the Philadelphia Housing Authority.[851]

Barnes and several other founding members pooled their own personal funds to establish Zoar Building and Loan Association and immediately sought members to buy shares.[852] It held its first meeting on April 9, 1924 and collected a mere $278.[853] From its inception Zoar Building and Loan was guided by several fundamental principles. First, the general policy of the Board of Directors was "to advocate unswerving

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[849] Ibid.

[850] Obituary, "Mattie E. Barnes, Dead at 99," *Philadelphia Tribune*, July 8, 1988.

[851] Ibid.

[852] "Zoar Association Founded 30 Years Ago, Mortgage Loans Total ¼ Million," *Philadelphia Tribune*, April 26, 1955.

[853] "Treasurer Depicts Growth of Zoar B&L," *Philadelphia Tribune*, October 31, 1959.

dedication to the accumulation of resources as the only sure way to solid economic stability."[854] Central to such a policy was homeownership for African Americans. Second, the Board sought to instill the educational principle of thrift in its membership as a methodology to achieve systematic savings and wealth accumulation.[855]

In keeping with its principles, Zoar's management was conservative, keeping its operational expenses low, owning no real estate, and carefully choosing its mortgage loan investments.[856] While such conservatism resulted in slow growth, it also provided a solid financial foundation "without the loss of a penny by any member."[857] By 1935, Zoar was the smallest African American building and loan association in terms of total resources—$27,705.34.[858] Such conservatism proved invaluable in assisting the institution to survive the Great Depression.

The extensive network of African American building and loan movement undoubtedly had a major impact on the black community in Philadelphia by providing access to credit on reasonable terms to enable blacks to purchase homes. By 1910, 905 blacks were homeowners or just 5 percent of African American population. Philadelphia's African American homeownership rate was comparable to other major

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[854] "Zoar B&L Continues Traditional Concept," *Philadelphia Tribune*, November 1, 1960.

[855] Ibid.

[856] "Zoar Shareholders Enjoy 5% Dividend," *Philadelphia Tribune*, October 29, 1957.

[857] "Zoar B&L Ass'n Opens New Series," *Philadelphia Tribune*, April 3, 1941.

[858] Martin, *Negro Managed Building and Loan Associations in Philadelphia*, 8.

Northern cities such as Chicago (6.3 percent) and New York (2.5 percent).[859] By 1920, the number of black homeowners in Philadelphia had increased to 3,778, representing 12.2 percent of the population.[860] Of the 3,778 African American homeowners, 724 owned their homes free of debt and 2,479 had mortgages on their homes.[861] In the 1920's, at least ten black building and loan associations were in operation in Philadelphia. Cumulatively, the ten building and loan associations originated at least 410 mortgage loans for the purchase of homes. (See Table 9. Number of Mortgage Originations by Building and Loan Association, 1910-1919).

While it is difficult to accurately gauge the exact impact of such mortgage originations on the homeownership rate in Philadelphia, the raw numbers suggest that African American building and loan association movement was a significant factor in the increase in the homeownership rate among African Americans. In contrast, in 1920, the overall black homeownership rate in New York had increased less than 1 percent to 3.2 percent and in Chicago, the rate increase just over 1 percent to 7.4 percent during the same time period.[862] Neither New York nor Chicago had a strong African American building and loan presence. As a result, it seems likely that the building and loan movement in Philadelphia was one factor in explaining the significant growth in homeownership from 5 percent to 12.2 percent in a mere ten years.

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[859] Charles E. Hall, *Negroes in the United States, 1920-1932* (Washington D.C.: 1935; reprinted New York: Arno Press and the New York Times, 1969), 277.

[860] Woffter, *Negro Housing in Philadelphia*, 25.

[861] Ibid.

[862] Woffter, Jr., *Negro Problems in Cities*, 137.

Table 9. Number of Mortgage Originations by African American Building and Loan Associations, 1910-1919

BLA	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919
Berean	25	16	14	13	12	8	9	15	15	22
Banneker	1	2	3	2	1	6	4	2	0	5
Eighth Ward	3	1	2	3	4	6	2	1	3	2
Pioneer	4	2	5	6	4	6	5	5	5	5
William Still	1	1	0	2	1	0	2	2	3	10
Colored	N/A	2	0	0	0	0	1	0	0	0
Cherry	N/A	1	2	4	0	5	2	3	4	7
Eureka	N/A	2	0	0	2	3	0	1	1	6
Castle Hall	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	2	1
St. Mark	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4
Totals	37	27	26	30	24	35	33	32	37	65

Source: Philadelphia City Archives, Mortgage Indexes, 1910-1919.

By 1930, the number of African American homeowners in Philadelphia had nearly doubled to 7,530 and the overall rate of homeownership had increased to 15.4 percent. Again, in New York, the African American homeownership rate increased slightly to 5.6 percent and in Chicago the rate had climbed to 10.5 percent. During the Roaring Twenties, approximately thirty-six African American building and loan associations were in operation in Philadelphia making mortgage loans for African American home buyers. An examination of the mortgage lending records of nineteen of the African American building and loan associations established that, collectively, the institutions originated at least 816 mortgage loans, nearly double the amount of the previous decade. (See Table 10. Number of Mortgage Originations by Building and Loan Association, 1920-1929).

Some scholars, such as Andrew Wiese, have argued that African American financial institutions "were small and often poorly equipped to meet the urgent demand for home loans within growing black communities."[863] Even historian Charles Hardy, who acknowledged the importance of African American building and loan associations in Philadelphia, concluded that they never funded more than a small percentage of African American home purchases.[864] However, both Wiese and Hardy significantly underestimated the financial strength of the movement and its overall impact in terms of providing a source of credit for mortgage loans to African Americans

[863] Andrew Wiese, “Black Housing, White Finance,” 438.

[864] Hardy, *Race and Opportunity*,

Table 10. Number of Mortgage Originations by African American Building and Loan Associations, 1920-1929

BLA	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Berean	17	21	29	29	21	22	14	22	37	20
Banneker	3	4	2	10	7	3	2	4	6	1
Eighth Ward	1	2	2	3	5	2	2	2	1	1
Pioneer	3	1	4	3	2	0	4	6	5	3
William Still	11	5	6	8	3	2	2	6	4	3
Cherry	9	5	6	3	6	4	12	9	7	6
Eureka	3	5	4	3	1	3	2	9	0	1
Castle Hall	2	3	1	2	2	3	0	1	1	2
St. Mark	4	5	6	9	5	1	8	2	4	9
Miller Mem.	5	4	6	8	7	1	4	3	5	6
St. Simon	7	5	6	10	3	7	7	5	6	5
Women's	0	2	0	0	1	0	0	0	0	0
S.J.M. Brock	N/A	N/A	1	3	2	0	5	3	3	2
Shiloh	N/A	N/A	1	5	10	5	6	7	4	5
Zoar	N/A	N/A	N/A	0	1	1	0	1	3	7
Calvary	N/A	2	0	3	1	0	0	0	0	0
Good Sam.	N/A	N/A	N/A	3	0	0	1	1	2	1
Haven	N/A	N/A	N/A	2	2	3	4	2	3	1
Wide Awake	N/A	N/A	N/A	1	0	0	0	1	0	2
Totals	89	72	80	105	81	58	80	85	93	75

Source: Philadelphia City Archives, Mortgage Indexes, 1920-1929.

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During the two decades of the Great Migration, the African American homeownership rate in Philadelphia more than tripled with nearly seven thousand new home owners. In contrast, New York and Chicago had much more modest African American homeownership rate increases during the same time period. Furthermore, the nineteen building and loans examined from 1910 to 1929 originated at least 1,216 mortgage loans for African American home buyers. The associations, collectively, also had over $5,000,000 in assets. By 1930, Philadelphia had the highest number of African American home owners of any major urban city in the United States.

Despite such impressive gains, the black homeownership rate paled in comparison to the overall rate in Philadelphia. In 1910, the overall rate was 26.6 percent. Just a decade later, the rate had increased an amazing 12.9 percent to 39.5 percent.[865] Such a dramatic increase was unique to Philadelphia as in Chicago the homeownership rate increased less than 1 percent from 26.2 percent to 27.0 percent over the same time period.[866] Likewise, the rate in New York increased 1 percent from 11.7 percent to 12.7 percent. The significant rate increase in Philadelphia, as opposed to other major cities, was fueled by transportation innovations that in turn led to the development of new housing construction in the street car suburbs.[867] Residential mobility, afforded by new occupational opportunities, allowed "Old" immigrants, mostly native whites and

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[865] Johnson, *Negro Housing*, 81.

[866] Ibid., 81.

[867] Hershberg, "Tale Of Three Cities," 474.

descendents of Irish, German, and British immigrants, to move to the new housing in the suburbs.[868] For the most part, “New” immigrants, consisting of Italians, Russians, and Poles who arrived between 1885 and 1914, had more limited occupational opportunities due to language barriers and lack of education. In turn, with the exception of Russian Jews, the “New” immigrants residential mobility was defined by work location as approximately one third walked to work.[869] For “Old” and “New” immigrants, residential mobility were largely limited by socioeconomic conditions, for blacks race was the defining factor.

While the rate of homeownership is certainly reflective of a number of factors, it is undeniable that the African American building and loan movement, spearheaded by dynamic African American leadership, was a contributing factor to the high rate of homeownership among African Americans in Philadelphia by providing access to credit on reasonable terms to allow for the purchase of homes. Unfortunately, just as the African American building and loan movement was making substantial progress in providing credit for homeownership, in October 1929, the United States was confronted with the start of the worst economic crisis in its history – the Great Depression.

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[868] Ibid., 474-76.

[869] Ibid.

CHAPTER 6

THE FEDERAL GOVERNMENT, REDLINING, AND THE DECLINE OF AFRICAN AMERICAN FINANCIAL, 1930 TO 1950

The Great Depression And African Americans

While subtle negative economic indicators had begun to appear in the last few years of Roaring Twenties, Americans were ill-prepared for the financial calamity that would descend upon the United States starting with the collapse of the stock market on "Black Thursday," October 24, 1929.[870] In the following decade, the people of the United States experienced unparalleled economic despair with millions losing their jobs, savings, and homes as the nation endured its greatest financial crisis in its history. The Great Depression had an even more pronounced impact upon African Americans. Often "the last hired and first fired," the African American unemployment rate soared and, by 1934, an estimated 38 percent of African Americans were regarded as incapable of self-support in contrast to 17 percent of whites.[871] By 1933, in some major cities, the number of African Americans on the relief rolls reached as high as 40 percent.[872] In Philadelphia on the eve of the Great

[870] Scholars have found a limited causal relationship between the stock market crash and the Great Depression. Most concluded that, at best, that the stock market crash was one of a number of factors that caused the Great Depression and some even argue that their was not relationship between the two historic events. See Robert Sobel, *The Great Bull Market: Wall Street in the 1920s* (New York: Norton, 1968); Peter Temin, *Did Monetary Forces Cause the Great Depression?* (New York: Norton, 1976); Micahel A. Bernstein, *The Great Depression: Delayed Recovery and Economic Change in America, 1929-1939* (Cambridge: Cambridge University Press, 1987).

[871] John Hope Franklin and Alfred A. Moss, Jr., *From Slavery to Freedom: A History of African Americans,* 7th ed. (New York: McGraw-Hill, Inc., 1994), 384.

[872] Ibid.

Depression, the unemployment rate among African Americans was 10.4 percent.[873] Just four years later, the rate had soared to a staggering 46.0 percent. While it declined slightly in subsequent years, in 1938, the rate remained stubbornly high at 32.5 percent.[874] Such dismal economic circumstances also caused approximately one-third of African American homeowners in Philadelphia to lose their hard-earned homes.

At the center of the crisis was the United States banking system. As President Herbert Hoover explained: "Our banking system was the weakest link in our whole economic system, the element most sensitive to fear . . . the worst part of the dismal tragedy with which I had to deal."[875] Even prior to the cataclysmic events of the Great Depression, banks in the United States failed with disturbing frequency—averaging approximately five hundred a year during the 1920s. Consisting of over twenty-five thousand banks, the vast majority were unitary and woefully undercapitalized and subject to fifty-two different regulatory regimes.[876] Such fissures lines were exposed by the economic crisis as thousand of depositors stormed their local banks demanding their savings which in turn created unsustainable liquidity problems. Between the stock market crash and the commencement of President Franklin Roosevelt's New Deal in March 1933, more than five thousand banks

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[873] Franklin, *Education of Black Philadelphia*, 106.

[874] Ibid.

[875] Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941* (New York: Macmillan, 1952), 21, 84, quoted in David M. Kennedy, *Freedom From Fear: The American People in Depression and War, 1929-1945* (New York: Oxford University Press, 1999), 65.

[876] Kennedy, *Freedom From Fear*, 66.

closed, taking with them over $7 billion in depositor funds.[877] In 1930, 1,352 banks ceased operations and the following year a record 2,294 banks suspended their operations. During the course of the decade, a total of 12,576 banks failed in the United States.[878] Building and loans also closed in high numbers as 4,500 ceased operations. And African American building and loans were not immune from the effects of the Great Depression. By the end of the decade, the number of African American owned and operated building and loan associations in Philadelphia declined from thirty-six to seven.

Out of the ashes of the financial carnage, a new banking and mortgage system emerged—spearheaded by the federal government—that made homeownership possible for millions of Americans. Unfortunately, in the process of reinventing the financial structure, race remained a salient feature that soured the new system's undeniable benefits and, yet again, resulted in credit discrimination that hampered the ability of African Americans to buy a home. In the face of such obstacles, several African American financial institutions survived the carnage of the Great Depression to provide credit to African Americans on fair terms to turn the dream of homeownership into a reality in Philadelphia.

The Federal Government And Homeownership

Prior to the 1930s, the United States government had traditionally refrained from involvement with the selection, construction, and purchase of homes, viewing such activities

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[877] Ibid., 163.

[878] Mason, *From Building and Loans to Bail-Outs*, 75.

as inherently individual and private decisions.[879] Such a position was irrevocably altered by the Great Depression and the crippling damage it wrought upon both the homeowner and the housing industry. Between 1928 and 1933, home construction declined by 95 percent and spending on home improvements fell by 90 percent.[880] In response to the crisis, in December 1930, President Herbert Hoover convened a national conference to address the issue of homeownership.[881] The assembled representatives identified a number of factors as responsible for the crisis, including: unstable real estate values, low-percentage loans, short-term financing, poor appraisal practices, uneven flow of mortgage credit, and lack of construction standards.[882] Following this conference, President Hoover and Congress passed the Home Loan Bank Act that created a system that allowed building and loan associations to borrow monies to ease possible liquidity problems. President Hoover explained that it would "further the promotion of home ownership, particularly through the financial strength thus made available to building and loan associations."[883] The Home Loan Bank Act, however, was relatively small and poorly managed, and had limited success in stemming the rapidly rising foreclosure tide.[884] By 1933, one-half of all home mortgages

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879 Jackson, *Crabgrass Frontier*, 191-92.

880 Ibid., 193.

881 Amy Hillier, "Who Received Loans? Home Owners' Loan Corporation Lending and Discrimination in Philadelphia in the 1930s," *Journal of Planning History* 2 (Feb. 2003): 1, 4.

882 Ibid.

883 Mason, *From Building and Loans to Bail-Outs*, 82.

884 Hillier, "Who Received Loans," 5. The Bank opened with total capital of $134 million and, within a few months, it had approved $98.9 million in loans and had

in the United States was technically in default with foreclosures reaching the rate of over one thousand per day.[885] In just 1932 and 1933, over five hundred thousand homes were in foreclosure. As President Herbert Hoover adeptly stated: "All this seems dull economics but the poignant American drama revolving around the loss of the old homestead had a million repetitions straight from life, not because of the designing villain but because of a fault in our financial system."[886]

Following his election, in the spring of 1933, President Franklin Roosevelt formally defined a new relationship between the federal government and homeowners with a new national policy, explaining:

> This policy is that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a guaranty of social and economic stability, and that to protect home owners from inequitable enforced liquidation, in a time of general distress, is a proper concern of the Government.[887]

Pursuant to his national policy, President Roosevelt introduced a series of programs, including: the Home Owners Loan Corporation; the Fair Housing Administration; and the Veterans Administration.[888] While these programs had enormous impact upon housing in the Unites States, they also substantially contributed to the development and implementation of the practice of racial redlining.

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pending applications for an additional $53.4 million. Mason, *From Building and Loans to Bail-Outs*, 87.

885 Jackson, *Crabgrass Frontier*, 193.

886 Hoover, *Memoirs: The Great Depression*, 111, quoted in Kennedy, *Freedom From Fear*, 84.

887 Hillier, "Who Received Loans," 5.

888 Ibid.

Home Owners' Loan Corporation

In 1933, the Home Owners' Loan Corporation (HOLC) under the governance of the Federal Home Loan Bank Board (FHLBB) was established as an emergency measure to assist families with delinquent mortgages in danger of foreclosure, to stabilize the financial sector by purchasing loans in default, and provide for a transition to a new mortgage market.[889] As scholars Kristen Crossney and David Bartelt have pointed out, the HOLC was not just a simple housing program. Rather, it represented an effort to bail out building and loan associations that were failing due to an overabundance of non-performing mortgages that restricted their cash flow. The HOLC sought to increase liquidity to building and loan associations and other financial institutions by refinancing their non-performing mortgages in order to avert runs that rapidly depleted financial reserves, resulting in closure.[890]

The HOLC accomplished this task by exchanging HOLC bonds, with federal government guarantees, for a lender's home mortgages in default. It also provided "cash loans for payment of taxes and mortgage refinancing."[891] Following the exchange between the lender and the HOLC, homeowners were eligible to refinance their mortgages with new fifteen-year, fully amortized mortgages at interest rates of 5

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[889] Crossney and Bartelt, "Residential Security, Risk, and Race," 709.

[890] Kristen B. Crossney and David W. Bartelt, "The Legacy of the Home Owners' Loan Corporation," *Housing Policy Debate* 16 (2005): 551-52.

[891] C. Lowell Harriss, *History and Polices of the Home Owners' Loan Corporation* (New York: National Bureau of Economic Research, 1951), 1.

percent.[892] The HOLC loans were restricted to mortgages in default and secured by non-farm properties with not more than four families. Also, the property needed to be appraised by the HOLC at less than $20,000.[893] An HOLC loan could not exceed 80 percent of the HOLC appraisal and could not exceed a total of $14,000.[894] The HOLC was the first government sponsored program to utilize low interest, fully amortized mortgage loans with uniform payments extended over a fixed period.[895]

In a remarkable feat, in just three months, the HOLC established a vast administrative bureaucracy in forty-eight states, Hawaii, and Washington D.C. consisting of 208 district offices. While the HOLC's policy function was largely centralized, the state and, later, regional offices operated with substantial autonomy. Each state had a manager that was responsible for the HOLC offices within their respective state. The offices were staffed by a wide array of employees, including: managers, lawyers, accountants, clerks, stenographers, bookkeepers, telephone operators, and janitors. The HOLC's employees were hired from the local communities, subject to final approval by officials in Washington D.C. At its peak, HOLC employed 20,811 people. American homeowners responded to the HOLC with roughly 40 percent of all qualified mortgage properties seeking assistance.[896] Between July 1933 and June 1935, when it completed

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[892] Hillier, "Who Received Loans," 5.

[893] Harriss, *History and Polices of the Home Owners' Loan Corporation*, 1.

[894] Ibid.

[895] Jackson, *Crabgrass Frontier*, 196.

[896] Harriss, *History and Polices of the Home Owners' Loan Corporation*, 1.

the majority of its direct loans, the HOLC supplied over three billion dollars for over one million mortgages.[897]

Since the HOLC was dealing with mortgages in default with the possibility of foreclosures, it introduced standardized appraisals of the fitness of particular properties and communities for both individual and group loans.[898] As C. Lowell Harriss stated, "[T]he success of the HOLC in its over-all program and in its handling of individual cases hinged on its appraisal policies."[899] In particular, while the appraisal itself was standard in the real estate industry, the HOLC created a "formal and uniform system of appraisal, reduced to writing, structured in defined procedures, and implemented by individuals only after intensive training."[900] The appraisers were usually drawn from the local community, including: real estate agents; building and loan officials; bankers; and HOLC employees. In an effort to ensure objectivity, they were paid for their services regardless of whether a mortgage was originated by HOLC.[901]

As the HOLC was completing its lending activities in 1935, it commenced a City Survey Program to appraise the level of real estate risk in 239 cities in the United States.[902]

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[897] Ibid. The HOLC received 1,886,491 applications for $6.2 billion dollars for an average of $3,272 per application. Nearly half the applications were rejected or withdrawn. Approximately one million refinancing loans totaling $3.1 billion were approved averaging $3,039 per loan (ibid).

[898] Jackson, *Crabgrass Frontier*, 197.

[899] Harriss, *History and Polices of the Home Owners' Loan Corporation*, 41.

[900] Jackson, *Crabgrass Frontier*, 197.

[901] Crossney and Bartelt, "Residential Security, Risk, and Race," 722-23.

Essentially, HOLC appraisers divided cities into neighborhoods and developed neighborhood appraisal sheets, which were distributed to real estate professionals, requiring specific answers related to the area and inhabitants.[903] Following the completion of the forms, the HOLC developed a rating system that established four color-coded categories of quality.[904] The first category (A) was coded green and "the areas were described as new, homogenous, and in demand as residential locations in good times and bad."[905] Homogeneous was defined as "American business and professional men."[906] The second category (B) was coded blue and consisted of areas that had reached their peak, but were still desirable and could be expected to remain stable. The third category (C) was coded yellow with the neighborhoods described as "definitely declining."[907] The fourth category (D) was coded red and the neighborhoods were defined as areas "in which the things taking

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[902] Amy Hillier, "Redlining and the Home Owners' Loan Corporation," *Journal of Urban History* 29 (2003): 394, 394-95.

[903] Jackson, *Crabgrass Frontier*, 197. First, the appraiser conducted an informal appraisal, typically a look at the property from the street, to determine if there was a reasonable prospect that the property would qualify for a loan. Harriss, *History and Polices of the Home Owners' Loan Corporation*, 45. If the informal appraisal was favorable, a detailed appraisal was ordered. The appraisal utilized a form containing ninety-eight terms to be filled in by the appraiser and eleven items to be completed by the reviewers. Each report contained a photograph of the building, a location map, dimensions of the lot and other relevant information concerning the neighborhood and property. In valuing the buildings, the appraiser considered the building code classification, the material used, the quality of the structure, the number and type of rooms, necessary repairs and an estimate of reproduction cost less depreciation. The final element considered was the capitalized value of rentals based upon a ten-year average normal rental. (ibid., 45-46).

[904] Jackson, *Crabgrass Frontier*, 197.

[905] Ibid.

[906] Ibid.

[907] Ibid.

place in (C) areas have already happened."[908] Following completion of the rating system, the HOLC prepared color-coded residential security maps that detailed the various grades.

In the process of rating neighborhoods, the HOLC incorporated the "notions of ethnic and racial worth" utilized by real estate appraisers.[909] Appraisers assumed that the natural tendency of any area was to decline due to the age of the physical structure and the transition of the housing to families with lower incomes.[910] Richard Hurd, an economist,

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[908] Ibid., 197-98.

[909] Jackson, *Crabgrass Frontier*, 199 (noting that the HOLC applied these notions "on an unprecedented scale"). A widely reproduced list ranked ethnic groups in order of "most desirable" to those believed to have the most adverse effect on property values. Homer Hoyt, *One Hundred Years of Land Values in Chicago: The Relationship of the Growth of Chicago to the Rise in its Land Values, 1830-1933* (Chicago: University of Chicago Press, 1933), 314-16. The list was later reproduced in *McMichael's Appraising Manual*, the "bible" of appraising. The list ranks the ethnic groups as follows:

(1) English, Germans, Scotch, Irish, Scandinavians
(2) North Italians
(3) Bohemians or Czechs
(4) Poles
(5) Lithuanians
(6) Greeks
(7) Russians, Jews (lower class)
(8) South Italians
(9) Negroes
(10) Mexicans.

Stanley McMichael, *McMichael's Appraising Manual: A Real Estate Appraising Handbook for Use in Field Work and Advanced Study Courses*, 4th ed. (New York: Prentice-Hall, Inc., 1951), 160.

[910] Jackson, *Crabgrass Frontier*, 199. This theory of urban and neighborhood development originated at the University of Chicago, School of Human Ecology by Robert Park and Homer Hoyt. Calvin Bradford, "Financing Home Ownership: The Federal Role in Neighborhood Decline," *Urban Affairs Quarterly* 14 (1979): 313, 321. The model was premised upon a comparison of urban development and plant biology (ibid). The model's premise was that just as certain pieces of land are best suited for

explained that socioeconomic characteristics of a neighborhood were much more important in determining the value of a dwelling than structural characteristics.[911] None of the socioeconomic criteria were more important than race, as noted real estate expert Frederick Babcock explained:

> Most of the variations and differences between people are slight and value declines are, as a result gradual. But there is one difference in people, namely, race, which can result in a very rapid decline. Usually such declines can be partially avoided by segregation and this device has always been in common usage in the South where white and negro populations have been separated.[912]

This relationship between race and property values was adopted by the HOLC and reflected in its rating of neighborhoods.

In evaluating socioeconomic characteristics, HOLC officials monitored the movement of African American families and charted the density of African American neighborhoods.[913] In Philadelphia, the neighborhood appraisal forms specifically asked whether the area contained any foreign born and Negro inhabitants and requested their

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particular type of plant, certain urban areas are best suited for particular types of persons. *Ibid*. When an invading plant takes over an area inhabited by another plant, it drives out the original plant because it is best suited for the environment (ibid). Such a theory applied to neighborhood development suggested that different groups of people "infiltrated" and "invaded" territory held by other groups and, through a Darwinistic survival of the fittest struggle, eventually assumed control over the area completely *(ibid).* In 1939, Homer Hoyt elaborated on this theory in *The Structure and Growth of Residential Neighborhoods in American Cities* (ibid., 322). Hoyt developed the "filtering" or "trickle-down" model which suggested that as properties and neighborhoods got older they filtered down to poorer and less capable persons until they were transformed into slums (ibid).

[911] Jackson, *Crabgrass Frontier*, 198.

[912] Frederick Babcock, *The Valuation of Real Estate* (New York: McGraw-Hill Book Company, Inc., 1932), 91, quoted in Calvin Bradford, "Financing Home Ownership: The Federal Role in Neighborhood Decline," *Urban Affairs Quarterly* 14 (1979): 313, 321.

[913] Jackson, *Crabgrass Frontier*, 201.

specific numerical population percentages.[914] The forms also asked whether there was an "infiltration of" any specific race, any detrimental influences, and provided a space for various clarifying remarks. For example, one form, prepared on June 4, 1937, noted the appraisal area had a "[h]eavy concentration of negro"; an "[i]nfilitration of negro"; and a Negro population of 65-70 percent. Despite the fact that the form indicated that a "[b]etter class negro [resided] in the section," the area received a security grade of D.[915] Such philosophical conceptions of property value combined with the endemic racism existing in American society invariably resulted in black neighborhoods being rated D.[916] For example, in Detroit, every neighborhood with any degree of African American population was rated "D" or "hazardous" by federal appraisers.[917] Also, any location subject to "infiltration" by "an undesirable population" received a "D" rating.[918] Such "infiltration" invariably included African Americans seeking to challenge segregation by purchasing homes in white neighborhoods.

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[914] Crossney and Bartelt, "The Legacy of the Home Owners' Loan Corporation," 555.

[915] Ibid.

[916] Jackson, *Crabgrass Frontier*, 199. For example, Lincoln Terrace in St. Louis was originally intended for middle class white families. The project, however, was unsuccessful and it developed into a black neighborhood. Despite the fact the homes were relatively new and of good quality, the HOLC gave the area a D rating in 1937 and 1940. It asserted that the houses had "little or no value today, having suffered a tremendous decline in values due to the colored element now controlling the district." (ibid., 200).

[917] Sugrue, *The Origins of the Urban Crisis*, 44.

[918] Ibid.

Despite such ratings, a number of historians have concluded that the HOLC issued most of its mortgage loans impartially and made large numbers of loans in neighborhoods rated yellow and red.[919] For example, in Chicago, Illinois and Newark, New Jersey, the HOLC made 60 percent of its loans to homes located in the "C" or yellow and "D" or red areas and in Memphis, Tennessee, 68 percent of its loans went to such areas.[920] The HOLC, however, did avoid making loans to African Americans in white neighborhoods. In particular, when the HOLC obtained a property through foreclosure, it relied upon local real estate brokers to sell the property and typically its sales policy was to "respect segregation and encourage it."[921]

Overall, however, the major damage that the HOLC caused was by adopting, elaborating, and implicitly placing the federal government's seal of approval upon notions of real estate value and race.[922] While there is some debate regarding the extent of the distribution of the actual residential security maps, it is clear that the rating system that served as the basis for such maps was emulated by the lending industry. For example, the Federal Home Loan Bank Board encouraged private financial institutions to prepare maps and provided directions to assist in the preparation of such maps.[923] Consequently, private

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919 Jackson, *Crabgrass Frontier*, 202.

920 Hillier, "Redlining and the Home Owners' Loan Corporation," 397.

921 Charles Abrams, *Forbidden Neighbors: A Study of Prejudice in Housing*, (New York: Harper Brothers, 1955), 237.

922 Hillier, "Redlining and the Home Owners' Loan Corporation," 398; Douglas S. Massey & Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge, MA: Harvard University Press, 1993), 52.

923 Ibid., 404.

banks adopted the HOLC's racially discriminatory policies, thereby institutionalizing and disseminating the practice of racial redlining.

While the HOLC was centralized in Washington D.C., its operation was largely carried out in the field by local offices and officials who often received their appointments as political patronage for supporting President Roosevelt in the 1932 election. The HOLC office in Philadelphia opened for business on August 1, 1933.[924] Jacob H. Mays, former treasurer of the Democratic State Committee, was appointed as the head of the HOLC offices in Pennsylvania and Hugh F. Quinn, a real estate operator who supported Roosevelt at the Democratic National Convention in Chicago, was appointed as chief appraiser for the Philadelphia region.[925] Prior to the official opening, Mays conducted instructional classes for potential applicants and prepared his office to handle as many as five hundred applicants every half hour. He was richly described in the *Philadelphia Tribune* as a "sturdy build, middle aged man" who believes in President Roosevelt "like a Bible."[926] The HOLC office in Philadelphia opened strongly as evidenced by its approval of the agency's first loan. Top HOLC officials from Washington D.C. journeyed to Philadelphia to commemorate the loan provided to John Flannagan and his wife.[927]

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[924] "Home Owners Loan Office Ready for Business Tuesday," *Philadelphia Tribune*, July 27, 1933.

[925] Ibid.

[926] "Negroes Fail to Respond to Loan Plan Here," *Philadelphia Tribune*, August 31, 1933.

[927] Hiller, "Who Received Loans?," 12.

Between 1933 and 1936, the HOLC originated approximately fifteen thousand loans totaling an amount of $37 million in Philadelphia and 21,000 loans totaling $56 million in the greater Philadelphia metropolitan area.[928] While such volume appears significant, the overall totals pale in comparison to the HOLC loan activity in other major cities. For example, in Chicago, Los Angeles, and New York, the local HOLC offices doubled the loan activity of Philadelphia. Such limited assistance is all the more remarkable considering that Philadelphia's overall homeownership rate was more than 50 percent, well above the overall 36 percent rate for urban areas in the United States. The limited effectiveness of the HOLC was largely attributable to a combination of factors including poor management, fraud, and the conservative Republican leadership that dominated local politics in Philadelphia.[929]

The impact of the Great Depression on homeowners in Philadelphia was staggering as the overall homeownership rate tumbled over 20 percent from 1928 to 1932.[930] No other major city in the United States suffered a greater proportional loss of homeowners than Philadelphia. The HOLC did have some limited success in reducing foreclosure activity by 6 percent from 1932 to 1933 and by 22 percent from 1933 to 1934. Nevertheless, the pace of foreclosures—seventeen hundred every month in 1934—continued nearly unabated throughout the first half of the decade and did not drop below ten thousand annually until 1937.[931] Despite the efforts of the HOLC, 150,000 Philadelphians lost their homes at

[928] Ibid., 10.

[929] Ibid., 21n3, 22n11.

[930] Ibid., 11.

[931] Ibid.; "Homeowners Face Difficulty," *Philadelphia Tribune*, August 3, 1933.

sheriff's sales from 1928 to 1938. By 1940, the HOLC held nearly ten thousand mortgages, representing slightly less than 12 percent of the market share, in Philadelphia.[932] To Philadelphians, the HOLC was in large measure a bitter disappointment.

The HOLC was followed with great anticipation in the African American communities in Philadelphia. In a bold headline, the creation of the Home Owners Loan Corporation was hailed by the *Philadelphia Tribune* as "[b]y far the most important piece of legislation enacted by the late Seventy-third Congress as far as Negroes are concerned."[933] The article provided a very detailed analysis of the organizational structure and operating procedure of the HOLC in order to ensure that African Americans. The purpose of such an analysis was to educate the African American community in order to ensure that they were in a position to take advantage of the HOLC and were not "left in the cold."[934] Donald W. Wyatt, the Industrial and Research Secretary for the Armstrong Association, pointed out in the article, that "of the seven thousand eight hundred and twenty-nine homes owned, or being bought, by Negroes in Philadelphia, only thirty-five were too highly appraised to be eligible for mortgage-covering loans, under the provisions of the Act."[935] In other words, African Americans were uniquely positioned to take advantage of the HOLC's loan program. Overall, the article reflected the recognition in the African American community

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[932] Crossney and Bartelt, "Residential Security, Risk, and Race," 726.

[933] Joseph Baker, "Home Owners Loan Law Boon to Negro Mortgagors, New Congressional Firm to Refinance Loans on Easy Plan," *Philadelphia Tribune*, June 29, 1933.

[934] Ibid.

[935] Ibid.

of the potential importance of the HOLC to stem the rising tide of foreclosures and delinquencies that were threatening the gains in homeownership made in the previous two decades.

Given the importance of the HOLC, Mays was closely scrutinized by the African American community in order to gauge whether he would provide mortgage loans in a fair and non-discriminatory manner. Joseph Baker, reporting in the *Philadelphia Tribune*, stated that Mays was determined to have "his record clear of any charges of prejudice."[936] Baker reported: "He [Mays] says that he has no prejudice; that is not true, every man has, but what he means is that he has nothing against people merely because they happen to be black." Baker also reported that "those under him may try to get away with their petty prejudices but I think they would face stormy weather if they were carried in on the Mays carpet about it."[937]

With jobs scarce, the African American community was also keenly aware that the local HOLC offices would be hiring thousands of employees and the *Philadelphia Tribune* advised job seekers to contact "some one in a position to be of use as soon as possible."[938] Upon its opening, the HOLC office did not employ any African Americans. Baker again reported: "he [Mays] hasn't hired any Negroes yet, but he says that he is going to do it; and despite the fact that they are not yet on the payroll, a fact that is just a little disturbing, you

[936] Baker, "Negroes Fail to Respond to Loan Plan Here."

[937] Ibid.

[938] Baker, "Home Owners Loan Law Boon to Negro Mortgagors."

feel you can depend upon him to do it."[939] True to his word, in November 1933, Lelia Lawrence, a secretary of the Allied Roosevelt Club, received an appointment to the local HOLC office.[940]

Mays aggressively sought to provide assistance to the African American homeowners by dispatching some of his top deputies into the African American community to explain the newly created organization and its application process. Shortly after its establishment, John W. Doughten, counsel for the Philadelphia office of the HOLC, addressed a banquet of African American building and loan officials sponsored by the Zoar Community Building and Loan Association.[941] Doughten explained the purposes of the HOLC and it operating procedures. The leading building and loan officials gathered such as Herbert Millen, W. Basil Webb, Dr. W. Harry Barnes, eagerly plied Doughten with questions in an effort to gain an understanding of the organization and its possible impact upon delinquent mortgage loans in their portfolios.[942]

Likewise, Theodore Spaulding, associate State counsel of the HOLC, addressed jointly the First Anniversary Celebration of Temple A.M.E. Church and the *Philadelphia Tribune* Golden Jubilee.[943] He stated:

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[939] Baker, "Negroes Fail to Respond to Loan Plan Here."

[940] "Several Ward Leaders Named By Democrats," *Philadelphia Tribune*, November 23, 1933.

[941] "Home Loan Attorney Talks to B.&L. Men," *Philadelphia Tribune*, October 12, 1933.

[942] Ibid.

[943] "Home Loan Setup Not Being Fully Used by Negro Property Owners Here, Aide Discloses," *Philadelphia Tribune*, April 26, 1934.

> When I first went to the Home Owners Loan Corporation I found, after a personal investigation, that colored people were not being permitted to share in this project as fully as some other racial groups. This was due to the fact that many colored people lacked the proper interest to seek the aid offered, and most mortgage holders on colored people's homes were Jewish and they did not particularly care about interesting colored people in the best features of the HOLC.[944]

Despite such obstacles, Spaulding urged African Americans to take advantage of the aid offered by the HOLC.

Despite such outreach efforts, a limited number of African Americans applied for assistance from the HOLC. Baker conducted an informal survey of the race of the applicants by regularly visiting the local HOLC office in Philadelphia. He reported that one in about sixty-five to seventy applicants was African American and that such applicants often had "a look of shame of their face."[945] Baker, in an impassioned plea in the *Philadelphia Tribune*, implored African Americans to take advantage of the HOLC. He stated: "Any glance at building and loan association reports will show conclusively that Negroes are not among those people who can afford to stand by while others walk away with the cake of something quite so valuable as the aid being offered by the Home Owners."[946]

The fact that a limited number of African Americans in Philadelphia utilized the HOLC does not appear to be due to the fact that local HOLC officials refused to make loans in areas rated as "D." At least in Philadelphia, HOLC officials, such as Jacob

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944 Ibid.

945 Baker, "Negroes Fail to Respond to Loan Plan Here."

946 Ibid.

Mays, reassured African Americans that he would not tolerate any type of racial discrimination and the HOLC engaged in conspicuous outreach efforts to reach out to the African American community. The African American press in Philadelphia, such as the *Philadelphia Tribune,* also did not report any issues of racial bias in the operation of the HOLC. Since the HOLC operations were localized, however, African Americans in other parts of the United States may have encountered discriminatory redlining if the local HOLC officials acted on racial biases.

In other areas of the United States, local branches of the NAACP were active in challenging practices of the HOLC that they viewed as discriminatory. For example, in Cincinnati, the local branch submitted a formal protest to Henry G. Brunner, the HOLC's state manager in Ohio.[947] The protest alleged that African American properties were routinely under-appraised in value by 25 to 50 percent; that African American neighborhoods were routinely classified as "blighted areas"; and that applications from African Americans were "designated in various ways as 'colored.'"[948] Theodore Berry, the local branch president and an attorney, concluded that "[n]o explanation of such a practice can refute the fact that it is flagrantly discriminatory, intolerably unjust, and a violation of the spirit and purpose of the Act creating the Home Owners Loan Corporation." The protest

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[947] "Cincinnati N.A.A.C.P. Protests Home Loan Corporation's Unfair Practices," *Pittsburgh Courier*, July 28, 1934.

[948] Ibid.

demanded an order abolishing the discriminatory appraisal process and reappraisal of African American properties to determine their "fair worth."[949]

Likewise, the national office of the NAACP also contended that the Home Owners' Loan Corporation unfairly considered race in the denial of the loan application of Andrew Morton, who lived in New York City.[950] Morton contacted his Congressman, Joseph A. Gavagan, and he in turn contacted the HOLC. In response to Congressman Gavagan's inquiry, a high ranking HOLC official, in explaining the loan denied noted: "It seems that the applicant is colored and is 81 years of age, etc." The NAACP contended that "the fact that his race is mentioned at all indicates clearly, we clearly believe, that this was a factor in weighing the application." The NAACP requested that Morton's loan application be reconsidered by HOLC in light of the "plain racial angle."[951]

Scholar Amy Hillier's analysis of the HOLC lending in Philadelphia provides further support for the lack of bias in terms of providing credit to "D" areas inhabited by African American. Specifically, she determined that the HOLC made 60 percent of its loans for homes located in areas designated "D" or red and an additional 20 percent to areas designated "C" or yellow.[952] However, Hillier did conclude that the HOLC supported racial segregation and engaged in discrimination in selling properties it obtained in foreclosure.[953]

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[949] Ibid.

[950] "Discrimination in Granting Loans is Charged o HOLC," *Baltimore Afro-American*, December 1, 1934.

[951] Ibid.

[952] Hillier, "Who Received Loans?," 15-16.

[953] Ibid., 20.

She also determined that areas marked as "D" and classified as "hazardous" received higher interest rates.[954] Overall, Hillier's work confirms that the HOLC, itself, did not engage in redlining African American neighborhoods but it did charge African Americans more for their loans in terms of higher interest rates.

Building of the work of Hillier, in a sophisticated statistical analysis of HOLC and Census data in Philadelphia, scholars Kristen Crossney and David Bartelt sought to determine if the HOLC's appraisal practices as well as the residential security maps resulted in other financial institutions redlining African American neighborhoods in Philadelphia. First, they determined that few areas received an "A" grade from the HOLC and that nearly 40 percent of the census tracts were graded "D."[955] They concluded that race and ethnicity resulted in a downgrading of an HOLC rating for an appraised area. Crossney and Bartelt also sought to determine if lenders, besides HOLC, made loans in areas designated as "D." Using data from the 1940 *Census of Housing: Supplements to the First Series*, Crossney and Bartelt determined that of the 82,536 reported mortgages, 26,571 or approximately 32 percent were located in "D" areas, with the next highest total of 21 percent in "B" areas.[956] Although significantly less than the HOLC lending rate in Hillier's work, such an analysis suggests that lenders did originate mortgages in areas graded "D."

Crossney and Bartelt carried their analysis a step further by examining the market segmentation of the various types of financial institutions in each geographic area. In

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[954] Hillier, "Redlining and the Home Owners' Loan Corporation," 409.

[955] Crossney & Bartelt, "Residential Security, Risk, and Race," 724.

[956] Ibid., 726.

Philadelphia, building and loan associations accounted for the largest market share—25.6 percent—followed closely by individuals at 24.2 percent.[957] Together, they combined for nearly half of the mortgage market share in Philadelphia. Furthermore, building and loan associations made over 43 percent of their loans in "D" graded areas and individuals constituted 30.5 percent in such areas.[958] In contrast, savings banks made only 17 percent of their loans in such areas and mortgage companies only 3.7 percent. Such evidence suggests that certain types of financial institutions may have avoided or redlining "D" graded areas. Crossney and Bartelt concluded that there was little evidence to demonstrate that the HOLC's appraisal maps had a major impact on the lending industry. They concluded: "Federal polices that emphasized racial separation or discriminatory lending practices are better seen as extending common practices within the lending industry rather than creating a de novo impact."[959] The greatest effect of the HOLC rating system was its influence on the underwriting practices of the Federal Housing Administration and the Veterans Administration .[960]

Federal Housing Administration And Veterans Administration

Historian Kenneth Jackson has proclaimed: "No agency of the United States government has had a more pervasive and powerful impact on the American people over the

[957] Ibid.

[958] Ibid., 727.

[959] Ibid., 731.

[960] Jackson, *Crabgrass Frontier*, 203.

past half-century than the Federal Housing Administration (FHA)."[961] Following the work of the HOLC, the FHA, established in 1937, and the VA, established in 1944, were designed "to encourage improvement in housing standards and conditions, to facilitate sound home financing on reasonable terms, and to exert a stabilizing influence on the mortgage market."[962] While the FHA and the VA did not lend money, they provided financial incentives to encourage lenders to invest in residential mortgages by insuring them against losses on such instruments.[963] In particular, the FHA program guaranteed over 90 percent of the value of collateral for loans made by private banks which decreased the size of the down payment to 10 percent.[964] The FHA program extended the repayment period to twenty-five or thirty years, which resulted in low monthly payments; FHA also demanded that the loan be fully amortized, thereby allowing the borrower to own the home at the end of the loan term.

With risk greatly reduced to the lender, the FHA's success was remarkable as housing starts exploded from 332,000 in 1937 to 619,000 in 1941 while the national rate of mortgage foreclosure fell from 250,000 non-farm units in 1932 to 18,000 in 1951.[965] Overall, by 1972, nearly eleven million families had entered the ranks of homeownership

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[961] Ibid.

[962] Ibid.

[963] Ibid., 204.

[964] Ibid.

[965] Ibid., 204-05. In 1933, there were 93,000 housing starts. *Ibid.*, 205. Following the establishment of the FHA, housing starts and sales dramatically increased as follows: 1937, 332,000; 1938, 399,000; 1939, 458,000; 1940, 530,000; 1941, 619,000 (ibid).

with the assistance of the FHA and an additional twenty-two million families were able to make improvements to their homes.[966] For the first time in United States history homeownership became a reality for many Americans. This remarkable success came at a price, as it was largely confined to whites in the suburbs to the detriment of African Americans residing in urban areas. As Charles Abrams explained:

> A government offering such bounty to builders and lenders could have required compliance with a nondiscriminatory policy . . . . Instead, FHA adopted a racial policy that could well have been culled from the Nuremberg laws. From its inception FHA set itself up as the protector of the all-white neighborhood. It sent agents into the field to keep Negroes and other minorities from buying houses in white neighborhoods.[967]

As a result, it is necessary to examine the FHA's policies and their impact upon African American homeownership.

The administrative dictates in the FHA functioned in several ways to favor the suburbs at the expense of the nation's center cities, thereby creating a disparate impact upon African Americans who were migrating to urban areas. Indeed, by 1960, nearly three-fourths of the African American population was concentrated in cities throughout the United States.[968] First, the FHA favored the financing of single-family detached homes over multi-family projects by adopting polices which favored open areas outside the congested center city. In particular, the FHA established minimum standards for lot size, setbacks, and separation from existing structures which in effect precluded many center city residences

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[966] Ibid.

[967] Abrams, *Forbidden Neighbors,* 229.

[968] August Meier and Elliott Rudwick, *From Plantation To Ghetto,* 3d ed. (New York: Hill & Wang, 1976), 232.

from loan eligibility, including row houses and attached dwellings.[969] Second, the FHA favored new purchases over repairs of existing homes by providing only small home improvement loans for short durations.[970] Again, such a requirement operated to the detriment of African Americans as it favored new construction in white suburban areas over urban areas.

Third, the FHA required an "unbiased professional estimate" as a prerequisite to any loan guarantee in order to ensure that the value of the property would exceed the outstanding mortgage debt.[971] Acting on the HOLC's rating system, the FHA developed even more elaborate advice for its appraisers in its *Underwriting Manual*.[972] Foremost among the variables considered by the FHA appraisal were the location of the property and the racial composition of the surrounding neighborhood.[973] The *Underwriting Manual* stated "If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes."[974] Further, appraisers were warned of the

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[969] Jackson, *Crabgrass Frontier*, 208.

[970] Ibid., 206.

[971] Ibid., 207.

[972] Oliver & Shapiro, *Black Wealth/White Wealth*, 18.

[973] See generally Jackson, *Crabgrass Frontier*, 207 (stating that the FHA utilized eight weighted factors to assess the quality of a residential area, including: relative economic stability (40 percent); protection from adverse influences (20 percent); freedom from special hazards (5 percent); adequacy of civic, social, and commercial centers (5 percent); adequacy of transportation (10 percent); sufficiency of utilities and conveniences (5 percent); level of taxes and special assessments (5 percent); and appeal (10 percent).)

dangers of infiltration of "inharmonious racial groups or nationality groups."[975] To prevent such infiltration, the *Underwriting Manual* "recommended 'subdivision regulations and suitable restrictive covenants'" as an excellent method to maintain neighborhood stability via racial segregation.[976] The FHA did not officially change this policy until February 1950, two years after racial covenants were declared unenforceable and contrary to public policy by the United States Supreme Court.[977] The entire appraisal process was based upon the premise that racial segregation was necessary to ensure maintenance of property values.[978]

While exact figures regarding the FHA's discrimination against African Americans are not available, data analyzed on a county level show a clear pattern of redlining in center city counties and abundant loan activity in suburban counties.[979] For example, between 1946 and 1960 over 350,000 homes were constructed with FHA financing in northern

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[974] U.S. Federal Housing Administration, *Underwriting Manual* (Washington D.C.: Government Printing Office, rev. Jan. 1, 1947), sec. 1301, cited in Jackson, *Crabgrass Frontier*, 208.

[975] Ibid.; Massey and Denton, *American Apartheid*, 54.

[976] Jackson, *Crabgrass Frontier*, 208. "Such covenants, which were legal provisions written into property deeds, were a common method of prohibiting black occupancy" (ibid). By the 1940s, it was estimated that 80 percent of the residential land in Chicago was subject to restrictive covenants. U.S. President's Commission on Civil Rights, *To Secure These Rights* (Washington D.C.: Government Printing Office, 1947), 68.

[977] Jackson, *Crabgrass Frontier*, 208. *See*, Shelley v. Kraemer, 334 U.S. 1 (1948).

[978] Oliver & Shapiro, *Black Wealth/White Wealth*, 18.

[979] Jackson, *Crabgrass Frontier*, 209. "Of a sample of 241 new homes insured by FHA throughout metropolitan St. Louis between 1935 and 1939, a full 220 or 91 percent were located in the suburbs." (ibid.). See also Raymond Mohl, *Making the Second Ghetto in Metropolitan Miami*, in ed. Kenneth Goings & Raymond Mohl, *The New African American Urban History* (Thousand Oaks, CA: Sage Publications, 1996); Sugrue, *The Origins of the Urban Crisis*.

California of which less than one hundred went to African Americans.[980] Indeed, white developers would often undertake extraordinary efforts in order to secure FHA mortgages. For example, in Detroit, a developer proposed an all-white subdivision next to a black neighborhood in the Eight Mile-Wyoming area of the city which a HOLC appraiser had rated as "D" or "hazardous."[981] The FHA denied the developer financing due to its close proximity to the "hazardous" black neighborhood.[982] In a compromise, the FHA agreed to provide loans and mortgage guarantees for the proposed development provided the developer build a foot-thick, six-foot-high wall for a half mile in order to separate the black and white neighborhoods.[983]

Perhaps, the most significant aspect of the FHA and VA was their impact upon private financial institutions.[984] As Kenneth Jackson summarized:

> The lasting damage done by the national government was that it put its seal of approval on ethnic and racial discrimination and developed policies which had the result of the practical abandonment of large sections of older, industrial cities. More seriously, Washington actions were later picked up by private citizens, so that banks and savings-and-loan institutions institutionalized the practice of denying mortgages "solely because of the geographical location of the property."[985]

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[980] Troy Duster, "The 'Morphing' Properties of Whiteness," in *The Making and Unmaking of Whiteness*, ed. Birgit Rasmussel et al. (Durham, NC: Duke University Press, 2001), 119.

[981] Sugrue, *The Origins of the Urban Crisis*, 300n25.

[982] Ibid., 64.

[983] Ibid.

[984] Bradford, *Financing Home Ownership*, 313, 318

[985] Jackson, *Crabgrass Frontier*, 217.

Such damage was captured by an examination of 141 commercial banks and 229 life insurance companies in Chicago that found the institutions refused to make "even a token number of conventional mortgages . . . for the typical Negro home buyer."[986] Likewise, in Detroit, financial institutions were reluctant to provide mortgages to areas inhabited by prosperous African Americans and refused to originate any mortgage loans to African Americans seeking to acquire property in the vicinity of white neighborhoods.[987] An Urban League study determined "that to make such mortgages . . . would incur the hostility and wrath of their white depositors" and "court the great disfavor of other investors, realtor, and builders."[988]

In Philadelphia, I. Maximillan Martin, writing in 1936, described, the level of discrimination encountered by African Americans seeking mortgage loans:

> Today, however, a very decided bias exists on the part of mortgage lending agencies when applications are received from colored property owners. Upon learning the racial identity of the applicant or on finding that the property is occupied by colored people the loan is often immediately rejected without further investigation. In other cases the concern offers to loan only a ridiculously small amount. There is no basis for such a lending policy. If all of the essentials of a good loan are present—character, capacity to keep up the carrying charges and ample security in the property offered—it is difficult to see wherein the fact that a colored person is the borrower adds to the risk of the loan. The record of the Negro managed associations, practically all of whose loans are made on properties occupied and owned by colored people, certainly disproves conclusively such a contention.[989]

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[986] Arnold R. Hirsch, *Making The Second Ghetto: Race and Housing in Chicago, 1940-1960* (Chicago: University of Chicago Press, 1998) 31.

[987] Sugrue, *The Origins of the Urban Crisis*, 46.

[988] Ibid.

[989] Martin, *Negro Managed Building & Loan Associations In Philadelphia*, 10.

Likewise, in 1949, David M. Walker, Executive Director of the Philadelphia Redevelopment Corporation, criticized the FHA for failing to insure mortgages for new housing for African Americans as well as in existing African American neighborhoods. He stated in seeking to find a solution to the housing problems confronting African Americans, "[a] great hindrance has been the FHA, which has refused loans to colored people. It is not fair, and the FHA should not take this attitude."[990] Without access to FHA insured financing, the Philadelphia Housing Association in its study of African American housing, explained that the older housing purchased by African Americans required large down payments, often at least a third of the purchase price and had shorter amortization periods resulting in higher monthly payments.[991] In short, it concluded that from 1940 to 1950, approximately 20,000 African American families purchased homes under more demanding financial terms customary to used housing.[992] The lack of FHA insurance in African American neighborhoods was further supported by scholar Amy Hillier's statistical analysis of a sampling of mortgage loans in Philadelphia from 1940 to 1960. While difficult to prove, she concluded that the FHA policies "virtually guaranteed that few homeowners in these areas [older homes and concentration of African Americans] were the beneficiary of FHA insurance."[993]

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[990] "FHA Refusal to Back Home Loans Peril City's Growth," *Philadelphia Tribune*, April 19, 1949.

[991] Philadelphia Housing Association, *Philadelphia's Negro Population*, 40.

[992] Ibid.

[993] Amy Hillier, "Searching For Red Lines: Spatial Analysis Of Lending Patterns In Philadelphia, 1940-1960," *Pennsylvania History* 72 (2005) 42.

Given the importance of the FHA and VA in residential housing markets, by the late 1950s many blacks were denied access to traditional sources of housing finance by institutionalized procedures, resulting in a spiral of decline in many large cities. Overall, during the time period from 1930 to 1960, scholars have demonstrated that "fewer than one percent of all mortgages in the nation were issued to African Americans."[994] With African Americans unable to obtain the same type of financing available to whites from traditional financial institutions, they were forced to rely on less favorable, often predatory, forms of mortgage financing.[995] At least, in Philadelphia, the African American community, as one possible alternative, was able to turn to several African American owned and operated financial institutions to obtain credit for home mortgage loans.

African American Financial Institutions In The Great Depression And Beyond

As the dark clouds of the Great Depression began to descend upon Philadelphia, Richard R. Wright Sr.'s Citizens and Southern Bank and Trust Company had just completed a drive to expand its depositors with a slogan of "Over The Top To A Million Plus."[996] For years, Wright had encouraged African Americans to patronize Citizens, arguing that his bank was just as safe and secure as any white bank. Ironically, the Great Depression served to vindicate his argument as Citizens actually grew stronger during the economic crisis.

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[994] Daniel Kirp et al., *Our Town: Race, Housing and the Soul of Suburbia* (New Brunswick, NJ: Rutgers University Press, 1995), 7.

[995] Bradford, "Financing Home Ownership," 318.

[996] L. B. Thompson, "C.&S. Bank in Great Drive for Depositors," *Philadelphia Tribune*, April 25, 1929; *Pittsburgh Courier*, May 18, 1929.

In the first part of 1931, three major white banks – Northwestern Trust, Bankers Trust, and Aidine Trust – failed in quick succession in Philadelphia. Each bank was heavily patronized by African Americans and their closure resulted in major losses for their depositors.[997] In Northwestern Trust alone, African Americans had deposited over $1,500,000 and, overall, several million dollars in deposits by African Americans was lost as a result of the closures of white banks in Philadelphia.[998]

In contrast, while admitting that it had been a struggle to survive, Wright proudly reported on January 20, 1931, at the annual meeting of Citizens stockholders—two-thirds of whom attended—that the bank had earned a profit of $7,298.21 in the previous year.[999] Consistent with his conservative management, Wright informed the stockholders that it was best not to pay a dividend with the profit but rather to increase the bank's reserves by $5,000. Wright reported that Citizen's $173,000 in cash and $144,000 in bonds was sufficient to meet the withdrawal demands of its approximately six thousand depositors. He also reported that a recent examination by the Pennsylvania Department of Banking had concluded that it was among the most liquid banks in Philadelphia and Pennsylvania.[1000] In

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[997] Floyd J. Calvin, "Hundreds Lost as White Philly Bank Fails, But Wright's Still Stands," *Pittsburgh Courier*, July 25, 1931.

[998] Joseph Rainey, "Negroes Face Loss of Millions of Dollars on Deposit in Local Banks That Have Been Closed," *Philadelphia Tribune*, October 8, 1931.

[999] "C.&S. Profits Show a Gain of $7,298.21," *Philadelphia Tribune*, January 29, 1931.

[1000] Ibid.

short, Citizen's stood on solid financial ground in contrast to a number of its white peer institutions.

To Wright, the Great Depression represented an opportunity to demonstrate the worth of Citizens and other "race banks" to the African American community. Wright advanced a multi-faceted argument to make his point. First, Wright repeatedly stressed the importance of banks to the economic development of the African American community. He explained:

> We all know that we must have banks if our group is to make the progress the other groups of our cosmopolitan nation are making. We cannot forfeit or relinquish the financial part of our economic progress to any other race. We must therefore show that we can manage money and we are going to do it.[1001]

Second, Wright sought to educate the African American community regarding the basic principals of banking. He routinely wrote articles in the *Philadelphia Tribune* that answered simple questions such as "what is money" and "what is a bank and how does it function?"[1002] Wright believed that if African Americans understood the concepts and operations of banks they would be more likely to use them. By 1933, he noted that such an education campaign was successful as Citizens was receiving deposits from a large number of people who had never previously used a bank.[1003]

[1001] "R. R. Wright Tell Race About Banks," *Chicago Defender*, February 28, 1931.

[1002] R. R. Wright, Sr., "What Is A Bank?—How Does It Function," *Philadelphia Tribune*, July 30, 1931; R. R. Wright, Sr., "Banker Reviews Evolution of Money for Tribune Readers," *Philadelphia Tribune,* August 6, 1931.

[1003] "Stresses Value of Local Banks to Communities," *Philadelphia Tribune*, October 19, 1933.

Third, he emphasized that African Americans had sufficient resources to support indigenous financial institutions. He found it a "deplorable fact" that African Americans had deposited over $25,000,000 in white banks as compared to the $500,000 that was deposited in Citizens.[1004] He urged African Americans to embrace self-help and cooperative principals by patronizing African American institutions. He also explained that Citizens used such resources to assist people in buying homes, paying taxes, and paying their building and loan dues.[1005]

Fourth, Wright was keenly aware that the failures of African American banks – such as Brown and Stevens Bank – had made many African Americans distrustful of "race banks." To address such concerns, Wright sought to re-instill the confidence of the African American community by demonstrating the integrity of such banks with factual evidence in support of his position. For example, he explained that bank failures were not unique to African American banks. He noted that in 1930, over 1,300 white banks closed in contrast only four "race banks" closed in the same year. [1006] He also pointed out that no Citizen depositor had ever been unable to withdraw the full amount of their funds if they so desired and he routinely noted that Citizens cash and investments exceeded the total of the depositors invested money.[1007] Based upon his arguments, Wright's reached one inescapable conclusion, as he explained in an article in the *Philadelphia Tribune*: "Our

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[1004] "C.&S. Bank And Trust Co. Holds Big Mass Meeting," *Philadelphia Tribune*, October 6, 1932.

[1005] "Stresses Value of Local Banks to Communities."

[1006] "R. R. Wright Tell Race About Banks."

[1007] "C.&S. Bank and Trust Co. Holds Big Mass Meeting."

group should not only rejoice that they have a bank or banks that have STOOD THE TEST but they should give their deposits to enable them to continue to STAND THAT TEST."[1008]

To implement his vision, Wright again launched a campaign to aggressively recruited African Americans to open accounts with Citizens. In January 1931, Wright called for a national drive for economic improvement, urging African Americans to support "Negro business" which in turn should open accounts with a "successful Negro bank."[1009] Locally, Wright secured pledges from a number of African American Baptist and Methodist ministers to open personal accounts and to us their pulpits to encourage their parishioners to do likewise.[1010] Citizens Bank's reputation was also enhanced in 1932 when the United States Department of Treasury named it as a special depository of public funds.[1011] Wright's efforts paid dividends as during the first six months of 1932, Citizens deposits increased by more than $24,000.[1012]

Unfortunately, Citizens' success was not mirrored elsewhere as yet another bank crisis descended upon the United States in early 1933. As the United States awaited the inauguration of Franklin D. Roosevelt as its new President on March 4, 1933, the New York

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[1008] R. R. Wright, Sr., "People's Money Must Be Safe at Any Price," *Philadelphia Tribune,* November 26, 1931.

[1009] Floyd J. Calvin, "Major Wright Urges Big Nat'l Economic Drive," *Pittsburgh Courier*, January 9, 1932.

[1010] "The People are Getting Solidly Behind Our Only Bank," *Philadelphia Tribune*, December 24, 1931.

[1011] "Wright's Bank Named Federal Depository," *Pittsburgh Courier*, March 19, 1932.

[1012] "Deposits Swell in City's Lone Negro Bank," *Philadelphia Tribune*, July 7, 1932.

Stock Exchange had halted trading and banking system had virtually shut down as thirty-two states had closed all of their banks, six other states had closed nearly all of their banks, and another ten states had limited withdrawals to 5 percent of deposits.[1013] The entire financial system of the United States was on the brink of collapse. After boldly declaring "[t]he only thing we have to fear is fear itself," Roosevelt immediately sought to address the financial crisis by declaring a four-day national bank holiday that was extended until March 13, 1933.[1014] As the banks reopened, deposits and gold began to flow back into the financial system and as Raymond Moley, a close Roosevelt advisor, stated: "Capitalism was saved in eight days."[1015]

Citizens, along with nine other African American banks, opened for unrestricted business immediately at the conclusion of the "bank holiday."[1016] The "race banks" reported that in most cases deposits exceeded withdrawals that was "indicative of the confidence that the patrons have in the institutions."[1017] By October 1933, Citizens' assets had increased by approximately $100,000 or 20 percent from the previous year, a

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1013 Conrad Black, *Franklin Delano Roosevelt: Champion of Freedom* (New York: Public Affairs, 2003), 269.

1014 Kennedy, *Freedom From Fear*, 132, 134-35.

1015 Ibid., 136.

1016 "10 Banks Open, Three More are Still Hopeful," *Baltimore Afro-American*, March 25, 1933.

1017 Ibid.

remarkable growth considering the dire financial circumstances of the United States.[1018] Overall, Citizens had cash and investments in excess of $386,000, more than adequate to cover the $338,792 in depositor's accounts.[1019] As Wright accurately summarized the year:

> We are particularly proud of the expansion in assets and deposits during the hard weeks and months of depression which threw many of the bank's depositors out of work. Possibly no bank in the city has retained the confidence of its patrons more firmly than has the Citizens' and Southern Bank and Trust Company. To have kept open for unrestricted business and to have increased assets and deposits without lowering the liquid position of the bank is the best testimony we can find to the place of such an institution in the life of the community.[1020]

Citizens was also positively affected by additional legislation passed in President Roosevelt's "Hundred Days." In June 1933, President Roosevelt signed into law the Glass-Steagall Banking Act which created the Federal Deposits Insurance Corporation (FDIC). The FDIC insured depositors funds up to $2,500 and provided instant confidence and stability to the banking system.[1021] It effectively ended "runs" on banks and, accordingly, the number of bank failures plunged from hundreds per year to less than ten a year in the subsequent decades.[1022] In the beginning of 1934, after a careful examination of its financial position, Citizens and seven other African American banks were admitted as members to the FDIC.[1023] The insurance threshold provided complete protection for 98 percent of the

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[1018] "C.&S. Bank in Liquid Shape Report Shows," *Philadelphia Tribune,* November 30, 1933.

[1019] Ibid.

[1020] Ibid.

[1021] Black, *Franklin Delano Roosevelt*, 288.

[1022] Kennedy, *Freedom From Fear*, 366.

deposit accounts held in Citizens and the other seven African American banks.[1024] Citizens' admittance into the FDIC significantly bolstered Wright's argument that African American banks were just as safe for depositors as white banks and help ease the memory of the failure of Brown & Stevens Bank.

At the beginning of 1937, a number of African American bankers, like much of the United States, concluded that the worst of the economic crisis had passed. C. C. Spaulding, President of the Mechanics and Farmers Bank in Durham, North Carolina, noted that in the previous year more money had been deposited into African American banks and more homes were built and bought by African Americans than in anytime in the past seven years.[1025] Such growth was also reflected in Citizens' improved financial position. By the end of 1937, Citizens had grown to nearly seven thousand depositors with total assets approaching $700,000, of which $120,000 was allotted to the reserve fund.[1026] Unfortunately, the guarded optimism expressed by the African American bankers disappeared during the course of the year as the United States slid back into an economic depression.

In addition to his duties as President of Citizens Bank, Wright also continued to serve as President of the National Negro Bankers Association, a position he occupied for

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[1023] "National Negro Bankers in F.D.I.C.," *Philadelphia Tribune*, January 6, 1934.

[1024] Ibid.

[1025] "Hope for Race Seen in Rising Tide of Business," *Pittsburgh Courier*, January 2, 1937.

[1026] "C.&S. Bank Boasts 7,000 Depositors," *Philadelphia Tribune*, December 2, 1937; "C. and S. Bank Has $681,501," *Baltimore Afro-American*, January 29, 1938.

sixteen consecutive years. At the annual meetings of the Association, several of which were held in Philadelphia, one of the main topics of discussion was the various federal loan programs. In 1939, the Association met in Philadelphia and Robert Irvin, the underwriting supervisor from the Federal Housing Administration, made a presentation to the members entitled: "Profitable Use of FHA Mortgages by Our Banks."[1027] The following year at the meeting in Richmond, Virginia, another representative from FHA addressed the Association with a speech entitled: "F.H.A. Loans Profitably Made."[1028] In same year, Citizens announced it was offering African Americans the opportunity to purchase homes under the FHA program with a 10 percent down payment.[1029] The announcement noted that the FHA was helping thousands of whites purchase new homes and Citizens did "not see why colored people should not enter the home-buying field."[1030] In 1941, the Association again returned to the topic of the FHA when Warren Forster, Vice-President of Hamilton National Bank, urging African American banks to take advantage of FHA mortgage financing.[1031]

With the advent of World War II, the United States economy finally emerged from its decade slumber to become, as President Roosevelt described in one of his famous fireside

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[1027] "Bankers Hold Annual Meet," *Philadelphia Tribune*, July 15, 1939.

[1028] "Major Wright Named President of Bankers," *Atlanta Daily World*, July 18, 1940.

[1029] "Bank Offers Race Change to Buy Homes," *Philadelphia Tribune*, August 15, 1940.

[1030] Ibid.

[1031] "Negro Banks Report Assets of 8 Million at D.C. Meet," *Philadelphia Tribune*, July 17, 1941.

chats, the "great arsenal of democracy."[1032] After the Japanese attack on Pearl Harbor, Citizens actively supported the war effort by buying and selling war bonds. By the conclusion of its Fourth War Bond Drive, it had purchased $1,500,000 in bonds and sold more than $1,000,000 to its depositors.[1033] As Wright described: "The bank is doing everything it possible can to aid the war effort, and we feel that through our bond purchases we are helping to buy the planes, ships, tanks and guns needed to defeat Germany and Japan."[1034] During the war years, Citizens continued to experience steady growth with its assets crossing over two million dollars in 1944.[1035] In the aftermath of the war, Wright continued his service by providing African American veterans, many of whom had been rejected by white banks, mortgage loans to buy homes.[1036]

In July 1947, Major Richard Robert Wright Sr., who had risen from a slave to the leader of the African American banking movement, died at the age of ninety-four. The passing of the "Grand Old Man of Philadelphia" was mourned around the United States.[1037] His life and accomplishments were remembered in glowing newspaper editorials, as the *Pittsburgh Courier* described: "He was, for longer than we can remember, a symbol of

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[1032] Black, *Franklin Delano Roosevelt*, 607.

[1033] "Bank Buys $1,500,000 Bonds Since Pearl Harbor," *Philadelphia Tribune*, March 11, 1944.

[1034] Ibid.

[1035] "Philly Bank's Assets at Record High, $2,000,000," *Chicago Defender*, April 1, 1944.

[1036] "Pa. Banking Journal in Tribute to Major-Wright," *Atlanta Daily World*, August 23, 1946.

[1037] "Major R.R. Wright," *Atlanta Daily World*, July 6, 1947.

Negro achievement, an example of American persistence and ingenuity, a living token of the opportunity America offers to all of its sons and daughters, regardless of color or origin."[1038]

Wright's son, Emmanuel, succeeded him as president of Citizens in 1947.[1039] Under his leadership, Citizens continued to prosper and grow in Philadelphia. In 1949, Citizens received over $320,000 in new deposits and its assets totaled $2,651,278.[1040] In the same year, it also extended over $425,000 in new consumer credit, mortgage loans, and personal loans, including a number of loans to churches and fraternal organizations.[1041] In 1953, Bishop R. R. Wright, Jr. assumed the presidency of Citizens and, by 1956; it had resources totaling $2,788,102.[1042] Overall, in 1950, there were fourteen banks owned and operated by African Americans in the United States serving 110,000 depositors with combined assets of $35 million which was more than double the total of slightly over $15 million in 1943 and over quadruple the $6 million in 1939.[1043]

[1038] "Major R.R. Wright: Two Great Careers," *Pittsburgh Courier*, July 12, 1947.

[1039] "Hundreds Commemorate Major R.R. Wright's Life," *Philadelphia Tribune*, May 18, 1948.

[1040] "Citizens Bank Made Many Significant Gains in '49," *Afro-American*, January 28, 1950.

[1041] Ibid.

[1042] "Bishop Wright Re-Elected Head of Citizens Bank," *Atlanta Daily World*, February 2, 1956.

[1043] Jessie Parkhurst Guzman, Lewis W. Jones, and Woodrow Hall eds., *1952 Negro Year Book: A Review of Events Affecting Negro Life* (New York: Wm. H. Wise & Co., Inc., 1953), 135; "Over 30 Million In Assets Listed by NBA Members," *Afro-American*, July 19, 1947; "Banks Show Increase of $23 Million in 7 Years," *Pittsburgh Courier*, October 18, 1947.

The Great Depression and the restructuring of the mortgage market by the federal government also had a profound impact on the building and loan movement in the United States. Like other financial institutions, building and loans were challenged to remain in operation during the depths of the financial crisis, struggling to maintain their liquidity as members withdrew their funds and payments on mortgage loans ceased. [1044] The total number of building and loans in the United State dropped 40 percent during the Great Depression, from 11,777 in 1930; to 9,225 in 1937; to 7,211 in 1941.[1045] Likewise, the total asset of building and loans declined every year of the 1930s, plunging from $8,829,000,000 in 1930 to $5,682,000,000 in 1937—a 35 percent decline.[1046] Overall, however, building and loans fared better in the Great Depression than commercial banks.

Certainly, African American building and loans were not immune to the hardships of the Great Depression. Overall, in the United States, there were more than eighty such institutions at the beginning of the Great Depression and by 1938 the number had dwindled to fifty, representing a 37.5 percent decline.[1047] While the decline in total numbers was slightly below the overall decline, the asset decline was much more pronounced in the African American building and loans. In 1931, the total assets of such building and loans were $6,500,000. Just seven years later the total had declined to

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[1044] Mason, *From Building and Loans to Bail-Outs*, 117.

[1045] Ibid., 121.

[1046] Ibid.

[1047] Rosenberg, *Negro Managed Building and Loan Associations in the United States*, 40.

$3,500,000. Such a decline was nearly 50 percent—and significantly higher than the overall rate of asset decline for building and loans. Samuel Rosenberg from the Hampton Institute offered the following explanation for the disparity:

> One of the causes for this difference is quite apparent. Economic conditions were such that the Negro worker found it more difficult than the white worker to maintain the standard of living to which he was accustomed. Jobs were scarce for the Negro and continued to become scarcer, and more and more Negroes went on relief. Those who had money in banks had to withdraw it, while others who had funds invested in shares of building and loan associations had to surrender their certificates in order to keep body and soul together. Other members of building and loan associations who were paying for their homes found it very difficult to meet the payments, and many lost their homes. [1048]

By 1935, the number of African American owned and operated building and loans associations operating in the Philadelphia area had decreased from thirty-six to twenty-two.[1049] Several of the associations' appraisal and lending polices had been excessively lenient during the boon times of the 1920s and, to avoid financial collapse, several building and loan mergers were consummated.[1050] Several other associations were poorly managed and were forced into liquidation as the crisis exposed their financial weaknesses.   Less than ten years later, the number of African American building and loan associations in Philadelphia had declined to just five: Berean, Calvary, Eighth Ward, St. Mark, and Zoar Community Building and Loan. In addition, Trinity and La Mott, the two African American building and loan associations located in the suburbs of Philadelphia, also survived. Likewise, the total assets of the Philadelphia building and

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[1048] Ibid., 35-36.

[1049] Martin, *Negro Managed Building & Loan Associations In Philadelphia, 4.*

[1050] Ibid.

loans declined by over 50 percent from $3,027,228 in 1929; to $1,865,775 in 1935; to $1,455,795 in 1939.[1051] As one building and loan official adeptly stated: "They [African Americans] are still afraid to invest their money and those who are not afraid do not have the money to invest."[1052]

The Great Depression was also challenging time for foremost African American owned and operated building and loan in the United States, Berean Building and Loan Association in Philadelphia. As the economic crisis worsened following the collapse of the stock market in 1929, African Americans faced increasingly dire circumstances as the unemployment rate in Philadelphia approached 50 percent. Not surprisingly, African Americans, who were building and loan members, were forced to withdraw their hard earned savings, not to fulfill their dream to buy a home, but to simply survive. In 1928, Berean members withdrew $61,783.47; in 1929, $58,878.30; in 1930, $71,211.60; and in 1931, $119,456.08.[1053] In just four years, Berean's members made cash withdrawals of over $310,000. Despite the severe drain on its resources, Berean paid all its members 100 percent of their money upon receipt of a request to withdraw it and no member lost any money.[1054]

[1051] Rosenberg, *Negro Managed Building and Loan Associations in the United States*, 49; Martin, *Negro Managed Building & Loan Associations In Philadelphia*, 6.

[1052] Rosenberg, *Negro Managed Building and Loan Associations in the United States*, 49.

[1053] Joseph V. Baker, "Berean B. and L. Association Has Withstood Withdrawals," *Philadelphia Tribune*, July 28, 1932.

[1054] "Berean Savings: 90 Years of Success," *Philadelphia Tribune*, February 20, 1979.

The overall economic impact was further reflected in the decline of Berean's total assets. At the beginning of the crisis, Berean's assets were the largest in the United States for an African American owned building and loan, totaling nearly one million dollars. Throughout the decade, Berean's assets continued a steady decline to $871,000 in 1932; to $661,140 in 1935; to $457,327 in 1938.[1055] Not only did its members withdraw their funds, Berean's members were also often unable to pay their mortgages or pay for their shares. Indeed, prior to the crisis, Berean members paid approximately $15,000 per month to the association. By 1934, the payments had declined to a mere $6,000.[1056]

An additional consequence of the Great Depression was that building and loan members were simply unable to make their mortgage payments. Usually, such a failure to pay resulted in a foreclosure by the building and loan followed by a resale of the property to recoup the loan investment. During the crisis, however, financial institutions were reluctant to foreclose as it resulted in a financial loss and, once foreclosed upon, the property had to be resold—a difficult prospect given the status of the economy.[1057] In addition to the obvious financial implications of foreclosure, W. Basil Webb, Berean's Secretary, also empathized with the plight of homeowners, explaining: "[T]hey are having difficulty refinancing their homes because so many of these finance companies

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[1055] Ibid.; Martin, *Negro Managed Building & Loan Associations In Philadelphia*, 8; Rosenberg, *Negro Managed Building and Loan Associations in the United States*, 54.

[1056] "Berean Bldg. and Loan Assn. in Good Shape," *Philadelphia Tribune*, October 4, 193410

[1057] Mason, *From Building and Loans to Bail-Outs*, 89.

are being liquated by the state. As a result, they have to foreclose; and the home buyers are left in the middle."[1058] Berean also made use of the HOLC as a way to assist its delinquent borrowers. By 1934, the HOLC had taken over the loans of over one hundred Berean members whose loans were delinquent and faced foreclosure.[1059] Based upon the financial reality and Berean's commitment to its members, it foreclosed on few of its members as reflected in the fact that in 1932 it owned less than $20,000 in real estate.[1060]

Led by W. Basil Webb, Reverend Robert Jackson, and John Harris, Jr. in such harrowing economic times, Berean implemented a number of conservative practices to ensure its survival and, more importantly, maintain the confidence of its members. First, Berean greatly restricted its mortgage lending, and, by 1934, no applications for loans were considered due to the sharp decline in the payment of funds by members. This was in stark contrast to it its relatively lenient lending policy prior to the Great Depression when applicants could apply for a loan as little as two weeks prior to a meeting and usually receive approval of the loan request. Second, Berean maintained a substantial reserve fund of $100,000, primarily to protect for any possible real estate losses caused by foreclosure.[1061] Third, Berean maintained "[r]obber insurance" for protection of funds collected both inside and outside of meetings. Fourth, to avoid any financial losses

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[1058] "Berean B. and L. Association Has Withstood Withdrawals."

[1059] "Berean Bldg. and Loan Assn. in Good Shape."

[1060] "Berean B. and L. Association Has Withstood Withdrawals."

[1061] "Berean B. & L. Now Member Federal Loan," *Philadelphia Tribune*, October 4, 1934.

caused by mismanagement or fraud, Berean required all of its officials who handled money to be bonded.[1062]

Such conservative practices resulted in a favorable inspection by officials from the Federal Home Loan Bank in Philadelphia. Following the inspection, Berean was encouraged to apply for membership in the organization.[1063] On September 10, 1934, Berean became the first African American owned financial institution accepted as a member of the Federal Home Loan Bank.[1064] The Association was accepted for membership due to its strong financial fundamentals as reflected in its large reserve fund and due to the limited number of risky second mortgages on its ledger.[1065] As a member of the Federal Home Loan Bank, Berean was able to borrow money at a very low interest rate which had the effect of easing the liquidity problems caused by large numbers of cash withdrawals and defaulting mortgages.

As the financial calamity began to recede, Berean implemented several significant changes beginning in the 1940s that strengthened the association's financial position. After operating out the basement of Berean Church for over fifty-two years, in 1940, Berean became a full-time operation and opened its first office on 52 North 52nd Street in West Philadelphia.[1066] The following year in a momentous accomplishment, Berean

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[1062] "Berean Bldg. and Loan Assn. in Good Shape."

[1063] "Berean B. & L. Now Member Federal Loan."

[1064] Ibid.

[1065] Ibid.

[1066] Joseph Woods, "Berean Savings in New Building, After 52 Years," *Philadelphia Tribune,* August 1, 1940.

was admitted to membership in the Federal Savings and Loan Insurance Corporation. Such membership considerably strengthened the credibility and financial soundness of the institution as its member's deposits, up to $5,000 were insured by the federal government.[1067]

Next, the creation of the federal savings and loan system also lead to an active campaign by thrifts to adopt the moniker of "savings and loan." As Martin Bodfish, executive manager of the United States Savings and Loan League, explained: "the opinion is gradually developing that the term 'savings and loan'…is the more appropriate since it emphasizes the investment and systematic savings phase as well as the provision of home ownership."[1068] In the same year it became federally insured, the association changed its name to the Berean Savings and Loan Association. Webb explained that the name change was for "psychological effect" because building and loan associations had "got such a hard name" during the Great Depression.[1069]

Following the death of W. Basil Webb in 1943, John Harris Jr. was elected by the Board of Directors to the position of Secretary of the Berean Savings and Loan Association.[1070] Harris was superbly prepared to assume the reins of Berean as he had extensive experience in real estate and was politically connected to the Republican Party in Philadelphia. After serving in the United States Navy during World War I, Harris

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[1067] "Berean S. & L. Asso. Continues Record Service to City," *Philadelphia Tribune*, October 18, 1952.

[1068] Mason, *From Building and Loans to Bail-Outs*, 107.

[1069] Joseph Woods, "Berean Savings in New Building, After 52 Years."

[1070] "J.W. Harris, Jr., Heads Berean Loan Association," *Afro-American*, March 13, 1943.

worked for a number of years as a real estate broker with his father – John Harris, Sr.[1071] He joined Berean in 1928 and worked for fifteen years as the Association's Director. In this position, he worked closely with Webb to gain a detailed understanding of the institution and the industry. Harris was also politically active, serving as a Republican member of the Pennsylvania House of Representatives in 1933-1934 and as a Republican committee person for fifteen years.[1072]

Under Harris' leadership, Berean enjoyed tremendous success and growth. From 1943 through 1948, Berean originated at least 473 mortgage loans, averaging seventy-eight loans annually.[1073] Its most successful years were 1945 and 1946 when it originated over a hundred loans each year.[1074] By 1951, Berean's assets had grown to a total of $1,209,597.[1075] Just three years later, Harris estimated that Berean had approximately two million dollars in outstanding mortgage loans with its members, approximately 90 percent of whom were African Americans.[1076] Approximately 18 percent of its loans were made to veterans. Harris stated that the average mortgage loan amount was from $4,000 to $6,000 and the proceeds were used to purchase homes ranging in price from

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[1071] "Harris, Berean's President Dies," *Philadelphia Tribune*, February 2, 1982.

[1072] "J.W. Harris, Jr., Heads Berean Loan Association."

[1073] City of Philadelphia, Mortgage Indexes, 1943-1949. Amy Hillier, Assistant Professor, University of Pennsylvania, provided the author this data.

[1074] Ibid.

[1075] Guzman, *1952 Negro Year Book*, 137.

[1076] Dorothy Anderson, "Wm. W. Still, Abolitionist First Berean B and L Head," *Philadelphia Tribune*, April 26, 1955.

$6,000 to $8,000. Harris also explained that most loans were made to people "who had worked long and hard and had been able to save enough money for a down payment on a home."[1077]

In addition to Berean, several other smaller African American building and loans in Philadelphia were able to survive the Great Depression. At a banquet held in 1938, Zoar Community Building and Loan Association commemorated the maturity of its first series of stock by presenting checks totaling $3,400—representing the maturity values of their shares—to two stockholders, Hans Warrick and Dr. W. Harry Barnes, who was also President of the Association. That Dr. Barnes reaped the rewards of the first series of stock was hardly surprising given he had invested his own personal funds to start the association. Hattie Sharp, the keynote speaker of the event, "urged greater unity on the part of colored people in order to build substantial business enterprises."[1078]

As of 1935, Zoar was the smallest African American owned and operated building and loan association, and to attract new members and expand its business it advertised regularly in the *Philadelphia Tribune*. The advertisements invited potential members to come and hear "how the Zoar Community Building and Loan Association is helping people" become home owners, save for old age, establish educational fund for their children, and "other features relative to regular and systematic saving."[1079] Zoar's leadership also aggressively sought new members by acting as "'walking, talking, branch

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[1077] Ibid.

[1078] "B. and L. Pays $3400 to Two Stockholders," *Philadelphia Tribune*, June 9, 1938.

[1079] *Philadelphia Tribune*, April 1, 1952.

offices'" urging people to buy shares and save their money to improve their personal circumstances.[1080]

Zoar experience steady growth over the years and, by the mid-1950s, it had over $225,000 of invested capital from over 1,500 shareholders.[1081] In 1959, it was generating an average of $9,000 at each of its monthly meetings.[1082] As described by the Philadelphia Tribune, "[t]hose savings over the years have enabled Zoar to help hundreds of families in the purchasing of their own homes, homes they might not have gotten otherwise."[1083] By 1955, Zoar had 126 outstanding mortgage loans to homebuyers representing over $275,000. In the previous year, it originated mortgage loans totaling $40,000.[1084] In achieving its growth, Zoar never abandoned its conservative management principles. It carefully selected the mortgage loans it chose for investing, maintained a reserve fund of $32,000, and kept its operating expenses and overhead low.[1085] In 1964, with assets of nearly $306,000, Zoar celebrated its fortieth anniversary, to which it

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[1080] "Zoar Association Founded 30 Years Ago; Mortgage Loans Total ¼ - Million," *Philadelphia Tribune*, April 26, 1955.

[1081] "Zoar Shareholders Enjoy 5% Dividend," *Philadelphia Tribune*, October 29, 1957.

[1082] "Treasurer Depicts Growth of Zoar B & L," *Philadelphia Tribune*, October 31, 1959.

[1083] "Zoar Association Founded 30 Years Ago."

[1084] Ibid.

[1085] "Zoar Shareholders Enjoy 5% Dividend."

invited all citizens “interested in helping to improve the economic status of the Negro community.”[1086]

In 1932, in the midst of some of the darkest hours of the Great Depression, Calvary Building and Loan Association celebrated the maturity of its first series of stock. It was proud to report that it held only first mortgages and it had not foreclosed on any member nor it had ever referred a single delinquent account to the solicitor for collection.[1087] It also was able to survive the Great Depression due to its conservative management. Calvary maintained a very high reserve fund, consisting of 20 percent of its total assets, which was four times the legal requirement.[1088] By 1935, Calvary had assets totaling $59,453, placing it in the mid-range size for African American associations.[1089] Calvary also sought to grow its membership with public meetings, which were advertised in the *Philadelphia Tribune*, featuring prominent speakers such as John Harris, Jr. and representatives from the Pennsylvania Department of Banking.[1090] Calvary encouraged its members to save their money with such innovative ideas as dime savers and a save-by-mail system with pre-paid postage envelopes for mailing

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[1086] “B & L Assn. Plans 40th Anniversary,” *Philadelphia Tribune*, September 19, 1964,.

[1087] “Building And Loan Matures First Series,” *Philadelphia Tribune*, Feb. 11, 1932, 3.

[1088] “Calvary B&L’s Save-By-Mail System Aids Stockholders,” *Philadelphia Tribune*, April 26, 1955.

[1089] Martin, *Negro Managed Building & Loan Associations In Philadelphia*, 8.

[1090] *Philadelphia Tribune*, April 22, 1952; *Philadelphia Tribune*, October 25, 1949.

payments.[1091] Calvary used such funds to originate mortgages and, as the *Philadelphia Tribune* proclaimed: "Calvary can well be proud of the homes it has financed and the tangents of financial security that it has helped to create—important weapons in the struggle to eliminate slums and the fight against delinquency."[1092] By 1951, Calvary's assets had grown to a total of $94, 607.[1093]

Another building and loan association that survived the Great Depression was Eighth Ward Settlement Building and Loan Association. It remained a rather small operation: as of 1951, its assets totaled nearly $63,000.[1094] In 1954, the Pennsylvania Department of Banking approved the name change of the Eighth Ward to the George W. Mitchell Building and Loan Association. The name change was unanimously approved by the shareholders and was "the culmination of a long standing feeling of obligation to perpetuate the name of George W. Mitchell for his outstanding efforts and legal guidance in the organization and progress of our first building and loan associations."[1095] Shortly after its name change, the George W. Mitchell association opened a new full-time office in the heart of the African American community in North Philadelphia at 1924 West Columbia Avenue.[1096] Marked by a large multi-colored neon sign that was visible for

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[1091] "Calvary B&L's Save-By-Mail System Aids Stockholders."

[1092] Ibid.

[1093] Guzman, *1952 Negro Year Book*, 137.

[1094] Ibid.

[1095] "B&L Directors Honor Pioneer," *Philadelphia Tribune*, October 30, 1954.

blocks, the office aspired to become a focal point for thrift, financial security and home ownership throughout Philadelphia.[1097] The association proceeded to launch a campaign to increase its members and hosted a luncheon addressed by the Honorable Herbert E. Millen, who had previously worked closely with Mitchell in representing a number of African American associations.[1098] 1957, the Association's assets had grown to nearly $142,000 reflecting a $10,000 increase over the previous year.[1099] The *Philadelphia Tribune* praised the association for "doing its part in helping to improve what has been aptly termed the 'better side of Negro living conditions in Philadelphia.'"[1100]

Berean, Zoar, George W. Mitchell, and Calvary, all retained a young attorney named Hebert R. Cain, Jr. to serve as solicitor. Cain represented the next generation of African American lawyers in Philadelphia that continued the work of the "New Negro" lawyers such as Alexander, Mitchell, and Millen. Born in New York City, Cain was raised in Philadelphia and graduated with honors from Central High School. Next, he graduated from Lincoln University, cum laude, and later received his law degree from Howard University Law School in the early 1940s.[1101] By the time, he attended Howard,

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[1096] "Association Plans New Office Opening," *Philadelphia Tribune*, January 15, 1955.

[1097] "George W. Mitchell B.&L. Assn. Has Full Time Office," *Philadelphia Tribune*, April 26, 1955.

[1098] "Mitchell Lending Firm's Luncheon at Sylvania," *Philadelphia Tribune*, October 29, 1957.

[1099] Ibid.

[1100] "George W. Mitchell B.&L. Assn. Has Full Time Office."

[1101] Jack Saunders, "Outstanding Philadelphians," *Philadelphia Tribune*, November 30, 1954.

Charles Hamilton Houston had completed his transformation of the school from a unaccredited night school to the foremost training ground for African American civil rights lawyers.[1102] In 1935, Houston left Howard to accept full-time employment with the NAACP.[1103] Even after his departure, Houston still returned to Howard to rehearse his oral argument, before students and faculty, for major civil rights cases pending before the United States Supreme Court.[1104] While Houston most likely was no longer at Howard when Cain attended, his powerful vision of social engineering as a methodology to challenge racial inequality continued to resonate throughout the school and was instilled in the Howard students.

In 1943, Cain was admitted to the Pennsylvania Bar and worked as an attorney for the United States War Department. Later, Cain became a protégé of Herbert E. Millen and they worked together on a number of legal matters. Millen undoubtedly educated Cain on the niceties of corporate and business law, including the unique responsibilities associated with serving as a solicitor for building and loan associations. After Millen was elevated to Municipal Court Bench, Cain succeeded him as solicitor to the four African American associations in Philadelphia and he also served as general counsel for a number of other corporations.[1105] Cain's practice was largely devoted to providing legal support for the development of African American institutions. In many ways the circle was

[1102] McNeil, *Groundwork*, 122.

[1103] Ibid., 121.

[1104] Ibid., 149-50, 182.

[1105] Saunders, "Outstanding Philadelphians."

complete: Cain, trained by Herbert Millen, a close associate of George W. Mitchell, was representing the building and loan association named for George W. Mitchell—"'the father of the building and loan associations.'"[1106]

[1106] "George W. Mitchell B.&L. Assn. Has Full Time Office."

CHAPTER 7

EPILOGUE

In November 1977, at the corner of 19th and South Street in Philadelphia, a wrecking crew demolished a three-story brick building with an elegant white façade. The building was destroyed to make room for an addition to Graduate Hospital.[1107] As the last bricks fell, it marked the closing chapter of the last African American owned and operated bank in the City of Brotherly Love as the demolished building was home to the Citizens and Southern Bank and Trust Company for over four decades. Even prior to its final demise, Major Richard R. Wright, Sr.'s proud "race bank" had undergone a number of fundamental changes as had the African American community in Philadelphia. Beginning during World War II and continuing through the end of the 1970's, over five million African Americans left the South and migrated north as part of the Second Great Migration.[1108] Again one of the major destinations for the second wave of migrants was Philadelphia. From 1940 to 1960, the African American population in Philadelphia more than doubled, rising from 252,757 to 529,240 or 26 percent of the total population of the city. During the same time, the white population began to decline for the first time in Philadelphia's history. In fact, during the 1950's, over 700,000 whites moved to the suburbs surrounding Philadelphia and over 225,000 whites left the city.[1109]

[1107] "Last of the Black Banks?" *Philadelphia Tribune*, November 29, 1977.

[1108] "Gregory, "The Second Great Migration: A Historical Overview," 21.

[1109] Thomas J. Sugrue, *Sweet Land Of Liberty: The Forgotten Struggle for Civil Rights in the North* (New York: Random House, 2008), 205.

As the second generation of African American migrants was arriving, Philadelphia was undergoing fundamental structural changes in its economy. Like other major cities, following World War II, Philadelphia's manufacturing base began a painful process of deindustrialization. In 1947, nearly half of the jobs in Philadelphia were in the manufacturing sector.[1110] From 1955 to 1975, three out of four of those industrial jobs were lost in Philadelphia.[1111] Such economic shifts combined with the influx of African Americans, produced significant racial spatial changes in the housing patterns in Philadelphia.

At the same time that African Americans were arriving by the thousands, whites began to leave to leave the city proper for new housing built in the suburbs in Northeastern Philadelphia and in the surrounding counties, such as the 15,000 new units of housing built in Levittown in Bucks County. The new construction was essentially off-limits to African Americans. As historian David McAllister has demonstrated, real estate agents and the white community itself were pivotal in ensuring that the new developments remained strictly segregated by race.[1112] The success of their efforts was captured by a survey of new private housing available to African Americans in Philadelphia and the surrounding areas from 1946 to 1953 conducted by the Philadelphia

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[1110] David W. Bartelt, "Housing the 'Underclass,'" 128 in Michael B. Katz, ed., *The "Underclass" Debate: Views From History* (Princeton, NJ: Princeton University Press, 1993).

[1111] Adams et al., *Philadelphia: Neighborhoods*, 81.

[1112] David McAllister, "Realtors and Racism in Working Class Philadelphia, 1945-1970," 124 in Kusmer & Trotter, ed., *African American Urban History Since World War II*.

Housing Association.[1113] The survey found that, of the approximately 140,000 units of housing that were built in the area; only 347 unites were for sale to African Americans. Of the 347 units, 207 were concentrated in a single development in Darby, Pennsylvania. Remarkably, only 45 two-story rowhouse units of new construction were available for purchase by African Americans in Philadelphia and 23 of those units were concentrated in a single development in West Philadelphia that was built in 1946.[1114] In 1958, Philadelphia Mayor Richardson Dilworth correctly pointed out that a "white noose" prevented African Americans from moving into white neighborhoods.[1115]

Despite such limitations, like the earlier generation of migrants, the new arrivals strove to own a home. Following World War II, a nationwide survey of African American veterans residing in Philadelphia, Detroit, Indianapolis, Atlanta, Houston, and Baton Rouge found that one-third to one-half expressed the desire to buy or build a home in the next twelve months.[1116] In 1960, a survey of fifteen hundred African Americans in Philadelphia asked how each would send a $5,000 "windfall." Over half responded that they would use the money to buy a home or payoff an existing mortgage.[1117] The structural and spatial changes that were occurring in conjunction with the arrival of the migrants provided many with the opportunity to achieve their homeownership dream.

[1113] Philadelphia Housing Association, *Philadelphia's Negro Population*, 38.

[1114] Ibid., 38-39.

[1115] McAllister, "Realtors and Racism in Working Class Philadelphia," 126.

[1116] Andrew Wiese, "The House I Live In: Race, Class, and African American Suburban Dreams in the Postwar United States," 162-163 in Kusmer & Trotter, ed., *African American Urban History Since World War II*.

[1117] Ibid.

As thousands of migrants arrived and settled in the main African American neighborhoods in North, South, and West Philadelphia, the areas rapidly became overcrowded and exerted pressure to expand into nearby all-white neighborhoods. Such population pressure combined with the suburbanization of the white population, opened up neighborhoods for African Americans to purchase homes. Unfortunately, realtors exploited the racial transition of such neighborhoods with the practice of blockbusting. The practice started with the sale of a home to an African American at an inflated price in an all-white neighborhood. Following the first sale, realtors, using sophisticated marketing techniques, incited the other whites in the neighborhood to sell their homes immediately to avoid the specter of depreciating property values.[1118] I. Maximilian Martin, a prominent African American realtor and building and loan official, explained: "The end result of such pressure is to demoralize a neighborhood and in effect to intimidate many owners to sell who otherwise would be satisfied to remain in their present location."[1119] Realtors also profited tremendously from the practice, often buying the homes from whites at reduced prices and selling them to African Americans at highly excessive prices. As Oscar I. Stern, a realtor and president of Central Mortgage

[1118] McAllister, "Realtors and Racism in Working Class Philadelphia," 136-138.

[1119] I. Maximilian Martin, "The Effect of 'Fair Housing Legislation' on Residential Values," *Realtor* 42 (November 1961): 5 quoted in McAllister, "Realtors and Racism in Working Class Philadelphia," 138.

Company, explained the "excess prices paid by negro [sic] home buyers represent a form of economic exploitation."[1120]

As whites rapidly left the neighborhoods after the arrival of African Americans, the areas experienced significantly higher levels of racial segregation. In 1860, the level of segregation in Philadelphia as measured on the dissimilarity index was 47.1, meaning that just under half of the African Americans would have to move to achieve evenness or balanced integration.[1121] Such indices were only slightly higher than those experienced by European immigrants from Germany and Ireland in the same time period. By 1910, the African American and white dissimilarity index actually fell to a modest 46.0. However, by 1940, the dissimilarity index had drastically increased, nearly doubled to 88.8; by 1950 it reached 89.0, and by 1960 it was 87.1.[1122] While African Americans were able to purchase homes, they typically paid excess sales prices for second hand properties that were located in highly segregated neighborhoods. One additional factor facing African Americans was problem of financing the home purchase.

[1120] Oscar I. Stern, "Prices of Negro Housing: Are They Excessive?" *Realtors Magazine*, June 1946, 7 quoted in McAllister, "Realtors and Racism in Working Class Philadelphia," 138.

[1121] Massey & Denton, *American Apartheid*, 20-21. The index of dissimilarity is a standard measure of segregation. Typically, evenness is defined by the overall racial composition of the city. The index provides the percentage of African Americans that would have to move to achieve an even residential pattern that mirrors the overall racial composition of the city. Generally, a percentage of 0 to 30 is considered low, 30 to 60 modest, and anything above 60 is high. (ibid). See Ira Goldstein, "The Wrong Side Of The Tracts: A Study of Residential Segregation in Philadelphia, 1930-1980," (Ph.D. diss., Temple University, 1985).

[1122] Ibid.

For much of new construction in the suburbs build in the late 1940's and 1950's, Federal Housing Administration insured financing was available to prospective home buyers. However, such insurance was not generally available for the purchase of second-hand or older homes, precisely the type of housing stock that was available for African Americans. Scholar Amy Hillier's analysis of mortgage lending patterns in Philadelphia from 1940 to 1960 demonstrated that while areas with concentrations of older homes and African Americans did have access to credit, they had fewer credit options, certainly not FHA insured loans, and paid higher interest rates.[1123] One of such financing option used by African American home buyers remained the installment contract.

While the historical evidence is rather scant, it appears that use of installment contracts, also known as Lease Purchase Plans, were "increasingly prevalent in the Philadelphia housing field" in the 1950's.[1124] Historian Beryl Satter, in her study of installment contracts in Chicago, noted that "Homes for Sale" advertisements in the African American newspapers that listed down payments, but not the total sales price for a home, were a "sure sign of a building's being sold on contract."[1125] During the 1950's and early 1960's, the *Philadelphia Tribune* was filled with entire pages of realtor advertisements listing real estate for sale and providing low down payments with no total

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[1123] Hillier, "Searching For Red Lines," 42.

[1124] Lenerte Roberts, "Roberts Says Lease-Purchase Plan Is OK If Used Constructively," *Philadelphia Tribune*, April 26, 1955.

[1125] Beryl Satter, *Family Properties: Race, Real Estate, And The Exploitation Of Black Urban America* (New York: Metropolitan Books, 2009), 59.

sales price. Furthermore, the *Philadelphia Tribune*, on several occasions, published articles warning African Americans of the dangers of a Lease Purchase Plan with such bold headlines as "Negroes Expose Shady Lease Purchase Deals."[1126] While noting that the plans had aided a number of families become homeowners, Howard Thomas, a real estate correspondent for the *Philadelphia Tribune*, explained that "it was "possibly the most feared instrument used in the purchase of real estate" as "many unscrupulous real estate agents have converted the friendly instrument into a dangerous weapon and have driven it to the hilt."[1127] Thomas described the exploitative characteristics of the plan:

> In many instances, the selling price of the property is 'jacked up' far above the fair market value. However, the greatest 'demon' in the lease purchase plan is the ever-burdening carrying charge on the prospective home buyer. When the buyer is unable to meet the excessive monthly installments, the property is re-acquired by the seller and all monies paid thereon are forfeited in accordance with the terms of the contract.[1128]

Nor were the use of such plans limited to Philadelphia as such installment contracts were one of the main financing options available to African Americans throughout the United States. For example, an attorney in Chicago familiar with such transactions estimated that eighty-five percent of the properties sold to African Americans in neighborhoods undergoing racial change utilized installment contracts.[1129] Likewise, a study conducted by the Chicago Commission of Human Relations of one square block in the

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[1126] "Negro Expose Shady Lease-Purchase Deals," *Philadelphia Tribune*, July 13, 1957.

[1127] Howard H. Thomas, "Buying A Home: Lease Purchase Plan Hurt By Unscrupulous," *Philadelphia Tribune*, July 13, 1957.

[1128] Ibid.

[1129] Hirsch, *Making The Ghetto: Race and Housing in Chicago*, 32.

Englewood area of the city found that between 1953 and 1961, a total 29 parcels changed ownership.[1130] Of the 29 properties, 24 were purchased with installment contracts. The study found that "[m]any of the interviewed contract purchasers conveyed the impression that the installment contract was the only means by which Negro families in Chicago could acquire property."[1131] In addition, the study found evidence that installment contracts were subject to predatory practices, as the African American consumer's price paid in the contract ranged anywhere from thirty-five percent to one hundred fifteen percent, with an average of seventy-three percent, greater than the original price paid by the investor. One real estate speculator recalled that he made more than 150 percent on his original investment in less than a year by evicting any one who missed a payment and collecting subsequent down payments. Generally, most sellers were able to recoup their entire cash equity in the property within two years with the remaining payments sheer profit.[1132] With limited financing options available, African Americans again turned to the two major surviving African American owned and operated financial institutions in Philadelphia: Citizens and Southern Banking and Trust Company and Berean Savings and Loan Association.

On September 15 1955, Citizens and Southern Bank and Trust Company celebrated its thirty-fifth anniversary.[1133] Bishop Richard R. Wright, Jr., who became President in 1953, noted that 1954 was the "best year in many years" for the bank as its assets rose to

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[1130] Ibid.

[1131] Ibid.

[1132] Ibid.

[1133] "Citizens And, Southern Bank Celebrates 35th Anniversary" *Philadelphia Tribune*, September 20, 1955.

over two and half million dollars.[1134] He also noted that the bank did not have a single foreclosure in 1954 and in his over 30 years with the bank it averaged less than one foreclosure a year. Wright attributed the low foreclosure rate to the bank's strict lending requirements, he noted: "…the money we lend is the people's money, not mine or the directors, and we can't let anybody play with it."[1135] In the same year, Wright also announced that the bank had $200,000 to lend to at least fifty persons in amounts ranging from $2,000 to $10,000 to help them "purchase homes, improve their businesses, and for education or travel."[1136]

In April 1956, responding to reports of a sale of the bank's stock to a local businessman, Bishop R. R. Wright, Jr. explained that he did not foresee a "…time in the near future that the majority stock of this bank will be owned by anybody except our citizens."[1137] Wright also noted that the bank was "encouraging integration" and that it was "no longer a 'colored bank' so far as depositors are concerned or so far as loans are concerned. In fact, less than 20 percent of our loans are made to members of our race."[1138] Wright cited, as evidence of integration, the nomination and election to the bank's Board of Directors two white businessman, Myron Freudberg, an insurance and

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[1134] "Citizens & Southern Bank Resources Over 2 ½ Million" *Philadelphia Tribune*, January 11, 1955.

[1135] Ibid.

[1136] Theodore Graham, "Citizens And Southern Bank Has $200,000 To Lend," *Philadelphia Tribune*, January 22, 1955.

[1137] "Citizens-Southern now integrated bank," *Philadelphia Tribune*, April 21, 1956.

[1138] Ibid.

financial executive, and Harry Galfand, a lawyer.[1139] Despite his assurances, just months later, the Wright family sold their controlling stock interest in the bank to Galfand, Freudberg, and Albert Gerber, also a lawyer.[1140] Later in the same year, Freudberg replaced Wright as President and Galfand was named the Chairman of the Board of Directors, effectively ending Citizens and Southern's status as an African American owned and operated bank.[1141]

Throughout the rest of the 1950's and into the 1960's, members of the Wright family and several other long-term African American employees remained involved with the management of the bank. It continued to prosper with its assets climbing past three million dollars by June 1957 and to four and half million dollars by October 1961.[1142] The bank also expanded by opening three branch offices in Philadelphia. However, by the mid-1960's, the last members of the Wright family and its management team retired from active employment. In June 1965, Harriet Wright Hines, Major R. R. Wright, Sr.'s daughter, retired from the bank after many years of service.[1143] Hines began working as a clerk and later worked as an Assistant Treasurer. In 1955, she was chosen as First Vice-

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[1139] Ibid.

[1140] "Citizens & Southern Now An Interracial Bank," *Philadelphia Tribune*, July 21, 1956.

[1141] "Citizens-Southern Bank Prexy Quits," *Philadelphia Tribune*, October 7, 1961.

[1142] "Bank Assets Smash Three Million Mark," *Philadelphia Tribune,* July 30, 1957; "Citizens-Southern Bank Prexy Quits."

[1143] "Bank Career Ends For Lady C & S Executive," *Philadelphia Tribune,* June 15, 1965.

President, a position she occupied until her retirement. Several years later, Charles Ealy also retired, marking the end of a forty-six year career with the bank.[1144] Ealy joined the bank just months after its founding and retired as Vice-President after having served in nearly every possible position in the bank.

In 1969, after the bank shortened its name to Citizens Bank, it was involved in a major corruption scandal. After an extensive grand jury investigation, it was discovered that Frank Steinberg, Chairman of the Philadelphia Housing Authority, transferred three million dollars of funds from the Philadelphia Housing Authority to Citizens Bank.[1145] The deposits boosted Citizens total deposits by more than 86 percent during a single quarter in 1968 and substantially increased the bank's revenue. At the time of the money transfer, it was determined that Steinberg was also a Director and a principal investor in Citizens Bank.[1146] Likewise, a grand jury also determined that Sander Field, Chairman of Citizens, and his wife made a capital gain of over one million dollars in just 14 months through fraudulent dealings with the common stock of the bank.[1147] He was charged with 85 counts of embezzlement, stock fraud, illegal political contributions, and perjury.

Following the scandal, in 1972, Citizens Bank changed its name again to Centennial Bank. Eustace Gay, writing in the *Philadelphia Tribune*, shortly after the

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[1144] "Charles A. Ealy Retired From Citizens Bank Job," *Philadelphia Tribune*, January 7, 1967.

[1145] "Grand Jury Report Mentions Citizens Bank's Operations," *Philadelphia Tribune*, August 19, 1969.

[1146] Ibid.

[1147] "Grand Jury Accuses Citizens Bank Head of Stock Fraud, Embezzlement," *Philadelphia Tribune*, October 11, 1969.

name change, nostalgically hoped that Major R .R. Wright's Citizens and Southern Bank was not erased from the history books, stating: "Years from now when some historian is listing the banks in the city, one of them will be The Centennial Bank. Somehow, we hope the historian will mention that, prior to the present name, it had three others."[1148] Despite the name change, problems plagued the bank and, in October 1976, William E. Whitesell, the Pennsylvania Secretary of Banking, announced that Centennial Bank had failed and the Commonwealth of Pennsylvania had taken possession of the bank.[1149] The following week, Lincoln Bank, with the assistance of $6.2 million dollar advance by the FDIC, purchased the assets and assumed the liabilities of Centennial Bank.[1150] Despite its sad ending, African Americans in Philadelphia remembered Major Richard R. Wright, Sr. and the Wright family as the ones who "more than redeemed Negroes in banking in Philadelphia in the story of Citizens Bank."[1151]

In 1950, Berean Savings and Loan Association hosted a "housewarming" to celebrate the opening of its new renovated offices in West Philadelphia that were described as "one of the most modern and best equipped offices in the city."[1152] The opening of the offices marked yet another accomplishment for Berean considering for the

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[1148] Eustace Gay, "Facts and Fancies" Philadelphia Tribune, January 11, 1972.

[1149] "Centennial Bank, Aided By $6.2 Million From FIDC, Opens Today," *Philadelphia Tribune,* October 23, 1976.

[1150] Ibid.

[1151] James Cassell, "Black Educator, Major Wright, Started Centennial Bank in '23 As Citizens and Southern Bank," *Philadelphia Tribune,* October 23, 1976.

[1152] "Berean Saving & Loan Asso. Opens Swanky New Offices," *Philadelphia Tribune*, March 11, 1950.

first fifty years of its existence it operated out of basement of the Berean Presbyterian Church.[1153] The new office contributed to a period of rapid growth with Berean's assets growing over 40 percent in just over two years.[1154] Berean's positive growth trend in assets and originating mortgage loans continued throughout the 1950's and 1960's. For example, in the first six months of 1965, Berean made over $500,000 in mortgage loans, mostly to African Americans, to buy homes ranging in value from $45,000 to more modest amounts.[1155] By 1966, it had over $4 million in savings account deposits as well as over $4 million in outstanding first mortgage loans.[1156] In 1968, Berean's assets exceeded $5 and half million and it made over $1 million in mortgage loans in the year to meet the financing needs of homebuyers.[1157]

In 1969, John Harris, Jr. finally retired from Berean after a remarkable forty-one years of service. Upon Harris' retirement, Dr. Lawrence D. Christmas, Chairman of the Board, declared that "the association is pledged to continue its sixty-one year old policy of making home ownership available for all qualified persons in the urban core as well as

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[1153] "Berean S & L Asso. Began In a Church Basement," *Philadelphia Tribune*, November 22, 1966.

[1154] "Berean Saving & Loan Asso. Opens Swanky New Offices"; "Berean S. & L. Asso. Continues Record Service To City," *Philadelphia Tribune*, October 18, 1952.

[1155] "Berean Home Loans Exceed One Half Million," *Philadelphia Tribune*, September 4, 1965.

[1156] "Berean S & L Asso. Began In a Church Basement."

[1157] "Berean Savings and Loan Association Loaned Over $1 Million Last Year To Help People Buy Homes," *Philadelphia Tribune*, February 11, 1969.

other parts of the greater Philadelphia metropolitan area."[1158] To carry out its homeownership policy, Berean selected I. Maximilian Martin as its new president. The choice of Martin was hardly surprising given his in-depth knowledge of the history of the African American building and loan movement in Philadelphia. Even beyond his institutional knowledge, he represented a direct link to glory years of African American building and loan movement as he was the son of Isadore Martin, a prominent African American realtor and founder of St. Mark's Building and Loan Association. Martin obtained a B.S in economics in 1930 and an MBA in 1932 from the prestigious Wharton School of Finance and Commerce at the University of Pennsylvania.[1159] Following his graduation, he joined his father's real estate business - Isadore Martin Inc., Realtors – and became President in 1962.[1160] He also served in World War II and eventually rose to the rank of lieutenant colonel in the Untied States Army.[1161]

By the time Martin ascended to the leadership of Berean, it was one of only three African American owned and operated financial institutions in Philadelphia. The following year, in 1970, Zoar Community Building and Loan Association and Calvary Building and Loan – the other two remaining African American building and loan

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[1158] "New President of Berean Savings Loan Assn. Elected," *Philadelphia Tribune*, June 24, 1969.

[1159] "Pres. Martin Keeps Dreams Alive," *Philadelphia Tribune*, February 27, 1973.

[1160] Ibid.; Douglas Dabney, "Berean Savings: A unique success," *Philadelphia Tribune*, March 4, 1988.

[1161] Kendall Wilson, "Though retired, Martin still a presence at Berean," *Philadelphia Tribune*, February 8, 1991.

associations – announced that they were merging with West Penn Building and Loan Association to form the Cosmopolitan Building and Loan Association.[1162] The merger effectively ended the separate existence of the other two African American owned and operated financial institutions.

Meanwhile, Martin continued Berean's historic trend of outstanding leadership as he guided it to continued success. In 1971, Berean originated 103 mortgage loans worth $1,225,700 ranging in amounts from $2,400 to $33,000.[1163] Berean's mortgage loans were mainly for homes in West Philadelphia and it borrowers were often people "…who were unable to secure loans from other institutions, although they qualified as to character, credit and property."[1164] The following year, Berean shortened its name to Berean Savings Association and it originated $1.2 million in conventional, FHA, and VA mortgage loans.[1165] In 1976, Berean's celebrated its ninetieth anniversary and its growth forced it to move to a new and larger office in West Philadelphia. Its assets had grown to $12 million and it loaned over $2 million in mortgage loans to the African American community.[1166]

[1162] "Zoar, Calvary, West Penn Building Loans Combining" *Philadelphia Tribune*, April 11, 1970.

[1163] Eustace Gay, "Local Black Bank Doing Billion Dollar Business," *Philadelphia Tribune,* April 11, 1972.

[1164] Ibid.

[1165] Maximilian Martin, "President's Annual Report," *Philadelphia Tribune,* February 27, 1973.

[1166] "Berean Savings: 90 Years Of Success," *Philadelphia Tribune*, February 20, 1979.

In 1990, Berean expanded into a full service financial institution and became know as Berean Savings Bank.[1167] At the end of the year, Martin retired after being associated with Berean for over fifty years and serving for over twenty years as President. Under his leadership, Berean expanded from $6 million to $33 million in assets. Martin proudly noted that Berean continued to provide financing opportunities for African Americans, explaining: "We have constantly made it possible for Blacks to own and repair their homes with loans they could not get from other banks in the city."[1168] After an in-depth search process, Berean hired Rodney Green, a former African American banking official with Fidelity Bank and Provident National Bank, to replace Martin.[1169] By the late 1990's, Berean had been contracting in the face of stiff competition from other banks. In 2003, Berean was acquired by Advantage Bank, a minority owned bank based in Baltimore. John Hamilton, president of Advantage, praised the deal for preserving "the African American legacy and the mutual form of ownership."[1170]

As in the South a generation earlier, the dream of homeownership for African Americans often did not measure up to its reality. Homeownership, while achievable, came at a significant cost for African Americans as they often paid excessive prices for older homes in segregated neighborhoods. The number of indigenous financial

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[1167] "Though retired, Martin still a presence at Berean."

[1168] Ibid.

[1169] Kendall Wilson, "The challenge of legends is familiar to Berean Bank's new president," *Philadelphia Tribune*, September 3, 1991.

[1170] Joseph N. DiStefano, "Baltimore Bank To Buy Berean," *Philadelphia Inquirer*, February 15, 2003.

institutions, that were successful during the Great Migration at originating mortgage loans to black borrowers, had significantly declined by the time of the Second Great Migration. As a consequence, African Americans were often forced to turn to alternative sources of financing that imposed additional costs and onerous terms and conditions. In contrast, whites were able to purchase new homes in the suburbs on with favorable terms offered through FHA insured mortgage loans.

Despite the numerous obstacles, the African American were able to achieve home ownership in increasing numbers in the post-World War II era as reflected in the increase of the overall from 24 percent in 1940 to 39 percent in 1960.[1171] Likewise in Philadelphia, the African homeownership rate rose tremendously rising from 10.2 percent in 1940 to 29.2 percent in 1950 to 42.9 percent in 1960.[1172] Nevertheless, such rates significantly trailed the white homeownership rate of 43.1 percent in 1940 and 61.7 percent. Despite the continued racial homeownership gap, the resolve of blacks to overcome credit discrimination to purchase homes through the creation of race financial institutions was a key part of the broader struggle for civil rights in the United States. The words of a young African American boy spoken during Reconstruction – "Tell Them, General, We're Rising" – were certainly prophetic in the context of homeownership in Philadelphia.

[1171] Ibid.

[1172] Philadelphia Housing Association. *Philadelphia's Negro Population*, 54.

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