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Making Race/Making Space: The National Housing Act, its Racialized Logics of Property Valuation, and its Embedded Construction of Racial Otherness

Series | Black Cities

February 24, 2026 | Volume 17 | Issue 10
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How were racial categories developed over time and how were they deployed for appraising real estate and determining mortgages in the US urban history? In this article we first assess whether the 1934 U.S. Housing Act democratized access to real estate by Black Americans and Immigrants. Then we demonstrate connections between early sociological research (including work by Du Bois and Addams) and the development of maps used by appraisers and banks; and finally, we show how the contingent and changing nature of racial categories both over time and between locations may have played an important, but largely unexamined, role in determining who has access to wealth through real estate.

In response to the 1934 U.S. Housing Act, the Home Owners' Loan Corporation (HOLC) developed neighborhood maps and surveys in the 1930s and 1940s. Today, these documents provide some of the richest sources on American neighborhood conditions during the inter-war years (FHA 1936, Abbott 2020). HOLC practices emerged in a sociohistorical context shaped by Slavery, Reconstruction, Jim Crow laws, World War I, the Great Depression, and the absence of a welfare state. They were also profoundly influenced by early sociological research and map-making techniques pioneered by social reformers and scholars, including Charles Booth in England and W.E.B. Du Bois and Jane Addams in the U.S., which highlighted urban disparities, poverty, and racial segregation. The HOLC and FHA maps would play an important role in institutionalizing patterns of segregation and exclusion in America. Yet as Sanyu Mojala (2025) points out, even before the HOLC and FHA maps were constructed, the National Real Estate Board's *Code of Ethics* (1924) explicitly codified racial exclusion. Especially revealing in this respect is Article 37, which states that, "a realtor should never be instrumental in introducing into a neighborhood a character of property or occupancy, members of any race or nationality, or any individuals whose presence will clearly be detrimental to property values in that neighborhood." This language demonstrates that racialized logics of property valuation were formally institutionalized well before the federal mapping practices which institutionalized them took shape.

Because race is a social construction with no biological basis, groups categorized as nonwhite at one point may be categorized as white at another, and vice versa. As the lines demarcating racial groups change, so too do patterns of discrimination.

Thus, as white ethnic groups from Eastern European and Mediterranean countries came to be defined as white, new opportunities to acquire wealth became available to them, wealth which then had a further whitening effect. By contrast, spaces designated as nonwhite experienced persistent devaluation, effectively closing off avenues of wealth accumulation for their residents.

In what follows, we explain how the HOLC reinforced existing patterns of marginalization and exclusion through its influence on homeownership, patterns that remain visible today in housing stock formation, wealth concentration, and trends in health and life expectancy in cities across the U.S. While the HOLC did not originate segregation, it strengthened it by allowing foreclosed properties to be resold by local brokers according to prevailing local standards, and thereby reproducing racialized housing practices (Hillier 2003).

Origins of Racial, Immigrant, and other Dispreferred Categories

The HOLC was created as part of the Home Owners' Loan Act of 1933. Its purpose was to aid urban borrowers in distress by acquiring home mortgages and issuing amortized loans. In 1936, toward the end of its own lending activity, the HOLC began creating a series of maps (1935-1940) that graded neighborhoods according to their perceived credit risk (Michney, 2022). The appraisers graded neighborhoods using letters (A, B, C, and D) which reflected their view of the neighborhood's credit worthiness, from best (A) to worst (D). As a part of this mapping effort, local appraisers not only collected quantitative information describing neighborhood conditions but also produced detailed qualitative descriptions of how neighborhood characteristics translated into a final credit-risk grade. This information was recorded for each graded neighborhood in sheets known as area description files.

The racial classifications embedded in the HOLC maps and assessment forms illustrate how practices of racial and immigrant risk assessment institutionalized racial bias and economic discrimination in U.S. urban planning and housing policies. By way of these race- and immigration-based risk assessments, the HOLC maps reflected investment patterns, tying risk to specific categories of persons and shaping property ownership and wealth accumulation before the introduction of the Fair Housing Act (FHA, 1936).

Homer Hoyt developed much of the criteria for the FHA manual in 1936, which greatly mirror his dissertation from 1933. In doing so, he drew on the work including

Charles Booth, W.E.B. Du Bois, and Jane Addams. Booth's *Life and Labour in London* documented economic inequalities, Du Bois's *The Philadelphia Negro* gave a deeply detailed depiction Black urban life, and Addams's *Hull House* assessed immigrant conditions in Chicago. These scholars sought to place their research, which included innovative mapmaking and surveying techniques, in the service of social reform. Ironically, in the hands of Hoyt and his colleagues, their efforts to combat social inequality would be repurposed into mechanisms of exclusion and divestment.

Hoyt was associated with the Chicago School of Sociology and its pioneering tradition of urban ethnography. Under the influence of Robert Park and Ernest Burgess, the Chicago School's research initially focused on social ecology, social organization, and social psychology, with emphasis on reducing urban inequality. Gradually, however, its focus shifted toward the study of social deviance and risk management. This occurred in a context of social upheavals in the U.S. and Europe, and the ascendance of eugenics movements on both continents. The Chicago School of Sociology's move toward the study of deviance a program that eventually evolved into Urban Studies and Planning reflected a historical moment where immigrants and racial minorities, particularly Black Americans, who made up a minuscule proportion of most Northern American cities, were perceived as disorderly and socially disruptive (Abbott 2020). It also aligned with the work of Georg Simmel (1903), whose studies of urban spaces during industrialization influenced the Chicago School's early work on immigrant populations, most notably *The Polish Peasant in Europe and America* (Thomas and Znaniecki, 1918–1920), *The Gold Coast and the Slum* (Zorbaugh, 1929), *The Jack-Roller* (Shaw, 1930), *The Taxi-Dance Hall* (Cressey, 1932), and *Black Metropolis* (Drake and Clayton, 1945). An overarching theme in these studies is their portrayal of ethno-racial minorities as disorganized and pathological; later work would concentrate on their assimilation and resettlement.

With Park as his advisor, Hoyt produced a dissertation that laid the foundation for the FHA's approach to urban planning and risk assessment (Abbott 2020). In his dissertation and later writing for the FHA, Hoyt relied heavily on the economist Richard M. Hurd's *Principles of City Land Values* (1903), which provided a systematic economic framework for assessing urban land values. Hurd argued that land values were driven primarily by economic rent, which was in turn based on the land's utility, accessibility, and social desirability. He outlined methods for assessing factors such as economic rent, capitalization rates, utility and location, currents of

travel and specialization, city structure and growth patterns, building suitability, and speculative exchange value, which Hoyt adopted for his own assessments of urban property values. Hoyt was also influenced by Hurd's argument that urban growth follows systematic patterns influenced by transportation, topography, economic forces, and human behavior.

Homer Hoyt's Influence on the FHA

Hoyt's integration of Park and Burgess's ecological theories of urban development with Hurd's economic assessment methods directly informed the creation of FHA and HOLC guidelines that categorized neighborhoods based on racial, ethnic, and immigrant demographics and linked these categories to financial risk. In later work, including his books *One Hundred Years of Land Values* (1933) and *Risk Assessment Manual* (1936), Hoyt further incorporated race and immigrant status into his risk calculation formula, which embedded the notion that racial and ethnic groups could negatively affect property values. Whereas Hurd had used social class in his measures of risk, Hoyt's formula tied social class to race. As a result, categories and frameworks initially designed for observational and descriptive purposes were repurposed by Hoyt in ways that institutionalized systematic racial discrimination in housing policy (Abbott, 2020). The categories in HOLC maps were subsequently adapted by assessors to local racial logics, with various regions of the country institutionalizing locally relevant race and immigration categories for municipal risk assessments. Thus, different cities each adopted category systems that reflected and reinforced local demographic, racial logics, realities, migration patterns, and prevailing racial sentiments. Nonetheless, even across all this local variation, Black and Jewish populations were consistently and disproportionately designated as high-risk and undesirable.

The FHA underwriting manual explicitly advised appraisers to investigate the presence or potential introduction of "incompatible racial and social groups" in residential areas, deeming such developments adverse influences that could destabilize neighborhoods and reduce property values. It also emphasized maintaining racial and social homogeneity as critical to neighborhood stability and described the "infiltration of inharmonious racial groups" as detrimental to land values, residential desirability, and the economic lifespan of residential structures. Although the guidelines did not explicitly reference specific racial categories such as "immigrant" or "Negro," generalized references to "racial groups" and "social groups" clearly indicated tacit racial biases in these underwriting practices.

Within the FHA rating system, neighborhoods with a grade of “D” were outlined in red, a practice that would later be termed “redlining” by sociologist John McKnight (Rothstein, 2017). It is important to note that the use of disfavored racial and immigrant categories was not confined to real estate assessments: the practice extended to schools, IQ tests, prisons, hospital records, urban planning initiatives, and academic scholarship across the human and natural sciences. Accordingly, while our study’s focus is risk and assessment, it also speaks to the early formation of urban sociology and urban planning, and the ways in which ethno-racial and immigrant categories became embedded in national, state, and local housing practices, with consequences still felt today.

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Waverly Duck is an urban ethnographer and the North Hall Chair Endowed Professor of Sociology. He is the author of No Way Out: Precarious Living in the Shadow of Poverty and Drug Dealing (University of Chicago Press, 2015), a finalist for the Society for the Study of Social Problems 2016 C. Wright Mills Book Award. His second book on unconscious racism, Tacit Racism, co-authored with Anne Rawls (also with the University of Chicago Press), was the 2021 winner of the Charles Horton Cooley Book Award from the Society for the Study of Symbolic Interaction and the 2022 Book Award winner for the North Central Sociological Association. He also co-authored and curated a new book with Anne Rawls and Kevin Whitehead, titled Black Lives Matter: Ethnomethodological and Conversation Analytic Studies of Race and Systemic Racism in Everyday Interaction (Taylor and Francis, 2020). Like his earlier work, his current research investigates the challenges faced by socially marginal groups. However, his work is more directly concerned with the interaction order of marginalized communities and how participants identify problems and what they think are viable solutions.

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