26.2: The Rise of the Suburbs

The seeds of a suburban nation were planted in New Deal government programs. At the height of the Great Depression, in 1932, some 250,000 households lost their property to foreclosure. A year later, half of all U.S. mortgages were in default. The foreclosure rate stood at more than one thousand per day. In response, FDR’s New Deal created the Home Owners’ Loan Corporation (HOLC), which began purchasing and refinancing existing mortgages at risk of default. The HOLC introduced the amortized mortgage, allowing borrowers to pay back interest and principal regularly over fifteen years instead of the then standard five-year mortgage that carried large balloon payments at the end of the contract. The HOLC eventually owned nearly one of every five mortgages in America. Though homeowners paid more for their homes under this new system, home ownership was opened to the multitudes who could now gain residential stability, lower monthly mortgage payments, and accrue wealth as property values rose over time.\(^3\)

Additionally, the Federal Housing Administration (FHA), another New Deal organization, increased access to home ownership by insuring mortgages and protecting lenders from financial loss in the event of a default. Lenders, however, had to agree to offer low rates and terms of up to twenty or thirty years. Even more consumers could afford homes. Though only slightly more than a third of homes had an FHA-backed mortgage by 1964, FHA loans had a ripple effect,
with private lenders granting more and more home loans even to non-FHA-backed borrowers. Government programs and subsidies like the HOLC and the FHA fueled the growth of home ownership and the rise of the suburbs.

Government spending during World War II pushed the United States out of the Depression and into an economic boom that would be sustained after the war by continued government spending. Government expenditures provided loans to veterans, subsidized corporate research and development, and built the interstate highway system. In the decades after World War II, business boomed, unionization peaked, wages rose, and sustained growth buoyed a new consumer economy. The Servicemen’s Readjustment Act (popularly known as the G.I. Bill), passed in 1944, offered low-interest home loans, a stipend to attend college, loans to start a business, and unemployment benefits.

The rapid growth of home ownership and the rise of suburban communities helped drive the postwar economic boom. Builders created sprawling neighborhoods of single-family homes on the outskirts of American cities. William Levitt built the first Levittown, the prototypical suburban community, in 1946 in Long Island, New York. Purchasing large acreage, subdividing lots, and contracting crews to build countless homes at economies of scale, Levitt offered affordable suburban housing to veterans and their families. Levitt became the prophet of the new suburbs, and his model of large-scale suburban development was duplicated by developers across the country. The country’s suburban share of the population rose from 19.5 percent in 1940 to 30.7 percent by 1960. Home ownership rates rose from 44 percent in 1940 to almost 62 percent in 1960. Between 1940 and 1950, suburban communities with more than ten thousand people grew 22.1 percent, and planned communities grew at an astonishing rate of 126.1 percent. As historian Lizabeth Cohen notes, these new suburbs “mushroomed in territorial size and the populations they harbored.” Between 1950 and 1970, America’s suburban population nearly doubled to seventy-four million. Eighty-three percent of all population growth occurred in suburban places.

The postwar construction boom fed into countless industries. As manufacturers converted from war materials back to consumer goods, and as the suburbs developed, appliance and automobile sales rose dramatically. Flush with rising wages and wartime savings, homeowners also used newly created installment plans to buy new consumer goods at once instead of saving for years to make major purchases. Credit cards, first issued in 1950, further increased access to credit. No longer stymied by the Depression or wartime restrictions, consumers bought countless washers, dryers, refrigerators, freezers, and, suddenly, televisions. The percentage of Americans that owned at least one television increased from 12 percent in 1950 to more than 87 percent in 1960. This new suburban economy also led to increased demand for automobiles. The percentage of American families owning cars increased from 54 percent in 1948 to 74 percent in 1959. Motor fuel consumption rose from some twenty-two million gallons in 1945 to around fifty-nine million gallons in 1958.

On the surface, the postwar economic boom turned America into a land of abundance. For advantaged buyers, loans had never been easier to obtain, consumer goods had never been more accessible, and well-paying jobs had never been more abundant. “If you had a college diploma, a dark suit, and anything between the ears,” a businessman later recalled, “it was like an escalator; you just stood there and you moved up.” But the escalator did not serve everyone. Beneath aggregate numbers, racial disparity, sexual discrimination, and economic inequality persevered, undermining many of the assumptions of an Affluent Society.

In 1939 real estate appraisers arrived in sunny Pasadena, California. Armed with elaborate questionnaires to evaluate the city’s building conditions, the appraisers were well versed in the policies of the HOLC. In one neighborhood, most
structures were rated in “fair” repair, and appraisers noted a lack of “construction hazards or flood threats.” However, they concluded that the area “is detrimentally affected by 10 owner occupant Negro families.” While “the Negroes are said to be of the better class,” the appraisers concluded, “It seems inevitable that ownership and property values will drift to lower levels.”

Wealth created by the booming economy filtered through social structures with built-in privileges and prejudices. Just when many middle- and working-class white American families began their journey of upward mobility by moving to the suburbs with the help of government programs such as the FHA and the G.I. Bill, many African Americans and other racial minorities found themselves systematically shut out.

A look at the relationship between federal organizations such as the HOLC, the FHA, and private banks, lenders, and real estate agents tells the story of standardized policies that produced a segregated housing market. At the core of HOLC appraisal techniques, which reflected the existing practices of private real estate agents, was the pernicious insistence that mixed-race and minority-dominated neighborhoods were credit risks. In partnership with local lenders and real estate agents, the HOLC created Residential Security Maps to identify high- and low-risk-lending areas. People familiar with the local real estate market filled out uniform surveys on each neighborhood. Relying on this information, the HOLC assigned every neighborhood a letter grade from A to D and a corresponding color code. The least secure, highest-risk neighborhoods for loans received a D grade and the color red. Banks limited loans in such “redlined” areas.

Figure (PageIndex(2)): Black communities in cities such as Detroit, Chicago, Brooklyn, and Atlanta (mapped here) experienced redlining, the process by which banks and other organizations demarcated minority neighborhoods on a map with a red line. Doing so made visible the areas they believed were unfit for their services, directly denying black
residents loans, but also, indirectly, housing, groceries, and other necessities of modern life. National Archives

Figure 3: 1938 Brooklyn redlining map. National Archives.

Phrases like *subversive racial elements* and *racial hazards* pervade the redlined-area description files of surveyors and HOLC officials. Los Angeles's Echo Park neighborhood, for instance, had concentrations of Japanese and African Americans and a "sprinkling of Russians and Mexicans." The HOLC security map and survey noted that the neighborhood’s "adverse racial influences which are noticeably increasing inevitably presage lower values, rentals and a rapid decrease in residential desirability."^11

While the HOLC was a fairly short-lived New Deal agency, the influence of its security maps lived on in the FHA and Veterans Administration (VA), the latter of which dispensed G.I. Bill–backed mortgages. Both of these government organizations, which reinforced the standards followed by private lenders, refused to back bank mortgages in "redlined" neighborhoods. On the one hand, FHA- and VA-backed loans were an enormous boon to those who qualified for them. Millions of Americans received mortgages that they otherwise would not have qualified for. But FHA-backed mortgages were not available to all. Racial minorities could not get loans for property improvements in their own neighborhoods and were denied mortgages to purchase property in other areas for fear that their presence would extend the red line into a new community. Levittown, the poster child of the new suburban America, only allowed whites to purchase homes. Thus, FHA policies and private developers increased home ownership and stability for white Americans while simultaneously creating and enforcing racial segregation.

The exclusionary structures of the postwar economy prompted protest from African Americans and other minorities who were excluded. Fair housing, equal employment, consumer access, and educational opportunity, for instance, all emerged as priorities of a brewing civil rights movement. In 1948, the U.S. Supreme Court sided with African American
plaintiffs and, in *Shelley v. Kraemer*, declared racially restrictive neighborhood housing covenants—property deed restrictions barring sales to racial minorities—legally unenforceable. Discrimination and segregation continued, however, and activists would continue to push for fair housing practices.

During the 1950s and early 1960s many Americans retreated to the suburbs to enjoy the new consumer economy and search for some normalcy and security after the instability of depression and war. But many could not. It was both the limits and opportunities of housing, then, that shaped the contours of postwar American society.