CONTRACTUAL EXPLOITATION:
A CASE STUDY OF THE CONTRACT BUYERS LEAGUE
IN CHICAGO

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ABSTRACT

Contractual Exploitation: A Case Study of the Contract Buyers League in Chicago

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In 1968 a group of black homeowners formed the Contract Buyers League to protest the high prices of homes sold on land installment contract in Chicago. While land contracts are used extensively by consumers with little money for down payments on homes and were utilized to exploit low-income and black consumers in many large cities, homeowners in Chicago were first to protest the misuse of this financing mechanism. In several protests including talks with contract sellers, pickets of realtors' offices, payment strikes by purchasers, and lawsuits against financial institutions and realtors, the Contract Buyers League attempted to renegotiate contracts for black buyers.

Although no more nefarious than a traditional mortgage, land installment contracts were used in Chicago to exploit black and low-income purchasers. The small down payment and low monthly installments required by a land contract allowed the low-income consumer to become a homeowner, yet the contract terms gave sellers excessive control over the property. Until the last payment was made the buyer possessed no deed to the dwelling and had no control over it. Frequently the contract buyer also paid a sales price far above the fair market value of his home. With few choices of dwellings and bad credit ratings these consumers were forced to accept the contract sellers' demands or forgo home ownership.

The Contract Buyers League was formed to destroy this system of exploitation in which inequitable terms, inflated sales prices and excess profits were made possible by a limited supply of housing and credit. Its development and activities affected the lives and economic security of many buyers whose contracts were renegotiated. But more importantly, this group initiated a complete reevaluation of the low-income black consumer's role in the housing market. To the judiciary this organization posed the question of whether or not a businessman should be allowed to extort large profits from a group economically disadvantaged because of racial discrimination; and asked if the legal system should intervene to correct inequities in the housing market.

Without eliminating the only access to home ownership, black contract buyers sought to rescind or reform existing contracts so they
paid a reasonable price for housing, and to change the relationship of buyers and sellers so future contract buyers would be protected against the unjust provisions of land contracts. In this paper I discuss the emergence and development of the Contract Buyers League as it attempted to gain power for a group of housing consumers. Why realtors were able to misuse land contracts for so long, how contract buyers were oppressed by contract terms, and how realtors, financial institutions and the judiciary reacted to buyers' efforts to change this real estate practice is the subject of this analysis.

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INTRODUCTION

In mid January of 1970 Cook County Sheriff Joseph Woods led a force of nearly two hundred deputies and Chicago policemen in an abortive attempt to evict Johnnie Moss and his family from their home on Chicago's South Side. With lines of gas masked, truncheon-carrying deputies Sheriff Woods cordoned off the property before Moss and his wife returned home. Only their three foster children were in the house when movers entered by picking a lock and piled all furniture into the snow. Shortly after the sheriff and his men departed, leaving private guards inside the house, Moss along with neighbors and friends surrounded the house and convinced the guards to leave. Within half an hour of Sheriff Wood's departure the Moss family was again settled in its home.

This effort which cost tax-payers $25,000 and tied up almost 200 men for several hours was only one of many attempts to evict 150 South Side families from their homes. Why the Cook County law enforcement agency resorted to such costly and potentially violent action and why black residents so effectively resisted can be answered by analyzing the development of the Contract Buyers League and its opposition to the misuse of land installment contracts. This means of financing real estate is used extensively by consumers with enough equity for only small down payments or without the good credit ratings needed to obtain mortgages. Although land contracts were for a long time the only way for Chicago's black consumers to become homeowners, these contracts caused hardships for buyers that eventually evoked their protest.

After years during which many realtors made large profits, blacks in Chicago began to oppose the use of unfair terms and exorbitant prices
common to most land installment contracts. Banding together to secure a better bargaining position in the housing market, blacks formed the Contract Buyers League to force contract sellers into renegotiating contracts and providing more reasonable sales prices of housing. Thus began a series of protests including talks with contract sellers, pickets of realtors' offices, lawsuits against financial institutions and land developers, and payment strikes by buyers. As a result of withholding payments several families like the Mosses were evicted from homes on which they had for many years diligently made payments. Even the loss of homes did not decrease the enthusiasm of the League's members. Determined to correct the inequities of the housing market that gave complete protection to the contract seller at the expense of low-income and black consumers, the contract buyers continued their efforts to bring about change.

Although no more nefarious than a traditional mortgage, land installment contracts were used in Chicago to exploit black and low-income housing purchasers. The small down payment and low monthly installments required by a land contract allowed the low-income consumer to become a homeowner, yet the contract terms gave sellers excessive control over the property. Until the last payment was made the buyer possessed no deed to the dwelling and had to obtain the seller's permission before making any changes affecting the property. Frequently the contract buyers also paid a sales price far above the fair market value of his home. Both inequitable terms and inflated sales prices were made possible by the scarcity of housing and credit for low-income and black consumers. With few choices of dwellings and bad credit ratings these consumers were forced to accept the contract seller's demands or give up their dreams of home ownership.

The Contract Buyers League was formed to destroy this system of exploitation in which excess profits were made possible by a limited
supply of housing and credit. Its development and activities affected the lives and economic security of many buyers whose contracts were renegotiated. But more importantly, this group initiated a complete reevaluation of the low-income black consumer's role in the housing market. To the judiciary, this organization posed the question of whether or not a businessman should be allowed to extort large profits from a group economically disadvantaged because of racial discrimination. Contract buyers demanded that financial institutions and realtors analyze the real risk involved in selling to low-income or black consumers, and change lending policies and contract terms to reflect the consumer's actual ability to make payments.

Because most realtors were unwilling to change a real estate practice that benefited them, the Contract Buyers League had to take its appeal to the legal system. In court the buyers requested a change of laws so low-income consumers received protection like that available to higher-income consumers. Although sometimes used by middle-and even upper-income white classes, land installment contracts are most commonly utilized by low-income people and all classes of blacks. Unlike the traditional mortgage the land installment contract involves no financial intermediary but is a two-party transaction between buyers and sellers. The low-income consumer who uses this financing mechanism is not protected by a financial institution that checks the terms and sales prices of mortgage agreements to secure the loan it makes to a buyer. Instead he deals directly with the contract seller who provides both housing and the credit denied him by conventional lenders. Because land contracts do not have inherent checks on sellers, the Contract Buyers League demanded that statutory and common laws be instituted to protect the low-income consumer. Where the housing market did not regulate itself with several parties looking after their own interests, contract buyers desired intervention by legislative and judicial action.
Without eliminating the only access to home ownership, black contract buyers sought to rescind or reform existing contracts so they paid a reasonable price for housing, and to change the relationship of buyers and sellers so future contract buyers would be protected against the unjust provisions of earlier land contracts. In this paper I will discuss the emergence and development of the Contract Buyers League as it attempted to gain power for a group of housing consumers previously discriminated against. Why realtors were able to misuse land contracts for so long, how contract buyers were oppressed by contract terms, and how realtors, financial institutions and the judiciary reacted to buyers' efforts to change this real estate practice will be the subject of this analysis.
CHAPTER I

THE EMERGENCE OF
CHICAGO'S BLACK HOMEOWNER

A. The Dual Housing Market

Not until the 1950s did a significant number of black homeowners live in Chicago. Although several migrations of blacks from the South occurred between 1900 and 1970, blacks were confined to rental housing mostly in the central city. Only gradually did blacks begin to rent and then to purchase homes vacated by whites in neighborhoods surrounding the central city. When home ownership for both blacks and whites increased during the early 1950s, the causes that brought about this change for the two groups were significantly different. On the one hand, the Federal government guaranteed loans that allowed whites to purchase their own homes in suburbia; while on the other hand, private real estate speculators assumed the risks of selling to blacks in areas that whites were rapidly leaving.

Because of conditions in Chicago's housing market, the risks to speculators were usually more than adequately compensated by profits. Not one homogenous market, but two housing submarkets existed. In the black submarket demand for housing was much greater than the available supply. Despite allegedly high risks, many speculators were attracted to this submarket where unsatisfied demand caused high prices yielding large profits not obtainable for comparable housing in the white submarket. This dual market system was created by a number of social and economic conditions based on racial discrimination.

In analyzing the functioning of housing markets, several studies
have concentrated on Chicago's market. (1) Most of these studies have given lengthy consideration to the problem of racial discrimination in housing, yet the monetary cost of this discrimination to blacks is disputed. Only the most obvious form of housing discrimination -- that in which blacks are excluded from housing opportunities in certain locations -- is usually acknowledged. Price discrimination, such as the disparity between the quality of housing blacks and whites receive for equal expenditures, is often explained away as the result of differences in housing types consumed by the two groups.

Clearly shown in most studies of Chicago's housing market are the effects of racial discrimination on residential location. As in most American cities, blacks in Chicago were intensely segregated within central cities. In one study Alma and Karl Taeuber calculate the degree of this racial segregation as a segregation index using census block statistics. This index, which assumes values from zero to 100, measures the extent to which observed racial patterns of residence by block differ from a theoretical pattern of proportional representation. A value of zero indicates that the proportion of blacks on every block is equal to the proportion of blacks in the entire city; while a value of 100 signifies total segregation. (2) According to the study's findings, between 1940 and 1970 Chicago's segregation index was above 92 showing nearly complete separation of black and white residences. After declining during the 1940s segregation increased slightly in Chicago during the 1950s, a time when blacks and whites became homeowners. (3)

Residential segregation existed despite large increases in Chicago's black population, for as blacks entered the central city whites sought refuge in the suburbs. During this time the total population of the central city declined while the black population steadily increased. For example, blacks in the central city numbered approximately 280,000 in 1940, 470,000 by 1960, and 1,100,000 by 1970. In contrast, the white population
declined from about 3,100,000 in 1940 to 2,700,000 in 1960, and 2,300,000 in 1970. (4) While the central city's white population declined, the number of suburban whites increased. The communities surrounding the central city developed as retreats for white inhabitants, where only a token number of blacks were able to settle.

As blacks moved to Chicago they could not disperse among other groups in the area. Several rationalizations for this separation have been made. The most common of these is the hypothesis that social needs of the black population influenced the choice of location. Like other urban ethnic enclaves, black neighborhoods were considered to be voluntary concentrations of people with cultural similarities.

Although first postulated by whites justifying the residential distribution of racial groups within urban areas, during the last decade this theory has received increasing approval by blacks who wish to strengthen the socioeconomic and political power bases of black people. Separation of voluntary self-segregation from that imposed by whites is, however, virtually impossible as long as indirect forms of intimidation and discouragement affect blacks' locational decisions. Some data and theories of urban development suggest that restrictions on locational choice were stronger than the natural affinities and recently strengthened cultural awareness that encouraged separation. (5) While self-segregation has certainly affected blacks' residential location, it is not the sole explanation of segregation in Chicago.

Another explanation of segregation is that socioeconomic characteristics of blacks prohibit integration. Several studies that evaluated empirical data on which this hypothesis is based have concluded that it has little validity. (6) Using statistics from Chicago and Detroit, Anthony Pascal studied the effects of socioeconomic characteristics on residential segregation and observed that white/nonwhite differentials in income, wealth, family size and composition, and job location of working members account for only a small part of racial separation. (7)
Theories of urban growth support Pascal's findings. If socio-economic characteristics such as low income force families to locate in central cities, low-income whites as well as blacks should be concentrated there. Similarly, middle- and upper-income black families should be dispersed throughout the metropolitan area. Yet, this is clearly not the case in Chicago. Instead in 1967 only 7.7 percent of all black families in the Chicago area lived in the suburbs, while 47.6 percent of all white families in the area lived there. Income does not explain the small number of blacks in the suburbs; for only nine percent of all high income (income above $10,000 per year) black families lived in the suburbs, while 54.7 percent of all high income white families and 37.2 percent of all low income (below $3,000 per year) white families lived there. (8) These findings contradict economic theories of residential location unless factors other than income confine blacks to central cities. Theories of urban growth hold that as distance from the urban core increases, population density decreases, land rent decreases, and travel costs to the core increase. Stated another way, access to jobs and activities in the core becomes more expensive, while consumption of space becomes less expensive. High income households have generally located in suburban areas because residential space consumption is more important to them than minimization of travel costs. (9) Since it has never been shown that black families have higher priorities for minimization of travel costs and lower priorities for consumption of residential space than their white counterparts, economic characteristics do not explain the small number of blacks living in low density residential areas.

Social and political attitudes did not alone cause racial segregation, for economic discrimination had an important effect on residential location. The restrictive covenants of deeds, the regulations of local public officials, and the actions of private real estate agents have historically separated blacks from whites in Chicago; but equally as important, price discrimination in the housing market discouraged integration. This latter constraint
is more difficult to prove than social and legal restrictions on geographic location. Several studies have attempted to examine empirical data on the cost, quantity and quality of housing for blacks and whites in Chicago yet, none have been able to standardize housing services well enough to show conclusively that observed price differences are not merely caused by differences in the types of housing consumed by the two races. (10)

In his study of single family dwellings on Chicago's South Side, Martin Bailey asserts that blacks do not pay more for homes of comparable quality and quantity than do whites in areas of similar residential density. According to Bailey, values are higher in black neighborhoods only when high densities of occupancy cause housing prices to rise. (11) The results of this study are upheld by Richard Muth's analysis of the South Side which attributes differences in prices for blacks and whites to differences in types of housing consumed. (12)

Other studies contradict those of Bailey and Muth. A study of economic discrimination by Gary Becker, for instance, acknowledges differences in prices of housing for blacks and whites. In 1957 Becker stated that blacks appeared to pay more than whites for equivalent housing in Chicago. Yet, he believed that this was a temporary situation caused by the large in-migration of blacks during the early 1950s and would be eliminated a few years after the influx ceased. (13) Differences in price were shown to be a long-term problem by a later study, which shows that they also existed in 1940 following a decade of relatively little in-migration of blacks. (14) Although conclusive proof of price discrimination has not been compiled, these and other studies have collected data and developed cogent arguments showing that blacks must pay a discrimination cost or premium in addition to the white submarket price of housing. (15)

Even if price discrimination is ignored, racial discrimination in Chicago's housing market is a real problem. Both rental and privately owned housing in Chicago had long been artificially in short supply for blacks, because they were constrained by institutionalized restrictions
and ostracism. As blacks moved into Chicago, they were not allowed to locate far from the ghetto. Only slowly as whites fled the impinging black neighborhoods were dwellings supplied to this enlarging sector of the population. The units added were almost exclusively located where the edges of black and white neighborhoods met.

The black submarket's housing supply gradually increased in the central city as units filtered down from the white submarket. At the same time the white submarket's supply was expanded not only in the suburbs, but also, within the city. Although the central city's white population was declining while its black population increased, whites received relatively and absolutely greater supply of new housing. For example, in 1960 only about 17,000 black families occupied new housing (i.e. housing less than ten years old) including public housing; while approximately 100,000 white families lived in new housing that was mostly privately owned. (16)

Neither socioeconomic characteristics, nor self-segregation nor inefficient housing production explains the failure of Chicago's housing market to adapt supply to black demand. The supply of housing for blacks remained artificially constrained, because the dual housing market was based on race not purchasing power. This situation belied the validity of neoclassical economics' fundamental assertion that economic systems tend to stabilize at an equilibrium where resources and rewards are almost always rationally distributed. Only when outside forces intervened was the black consumer's welfare protected; and then only after sellers had thoroughly abused these artificial market conditions.

B. The Land Installment Contract

Into this unregulated market system was introduced land contract sales. Black renters long established in Chicago as well as Southern blacks newly arrived in the city answered newspaper advertisements for homes sold with very low down payments. Previously limited to rental housing, a large number of blacks were finally given an opportunity to
own homes. The move to Chicago's West Side neighborhood of Lawndale in the early 1950s was part of blacks' continuing effort to acquire quality housing in uncrowded urban areas.

When blacks purchased Lawndale homes on contract, they utilized a financing mechanism commonly employed by low-income consumers. Land installment contracts (LIC) were not the products of devious realtors out to exploit poor blacks in Chicago. This method of financing real estate had long been used effectively, because it required buyers to have little equity at the time of purchase. Although the small down payment needed for LICs usually caused the period of repayment to be longer and total interest payments to be higher than for mortgages, several characteristics of these contracts made them less costly than mortgages in the short run. The following are some of the transactional costs to the purchaser usually eliminated by land installment contracts:

1. Mortgagee's Title Insurance -- In the installment land sale, the contract vendor serves in place of the mortgagee as financer, and needs not insure a lender that his title is of value.

2. Survey -- When mortgages are used both the mortgagee's insurance company and the mortgagee make sure that neighboring landowners are not encroaching onto the purchased land. This is not, however, a problem to the contract seller who serves as financer, since presumably he is aware of what has been happening to the boundaries of his land. The low-income purchaser does not often require a survey for he is unaware of possible problems.

3. Recording Fee-- The clause in early LICs that prohibited their recordation has been declared illegal, yet law does not require that they be recorded, and usually they are not.

4. Escrow Fee -- Since the LIC is a one-step transaction requiring no formal closing, no fee is paid to a title company for handling a closing.

5. Credit Report -- Because contract sellers usually deal with
low-income consumers, they often assume that purchasers can not meet normal credit qualifications, and therefore do not require a credit report.

6. Brokerage Fee -- This fee is paid to a mortgage company as a bonus for lending money, or to a mortgage broker as a bonus for locating a moneylender. Because the contract seller finances LICs, this fee is not charged.

Similar costs are eliminated for the contract seller. These reductions make installment land contracts attractive to both buyers and sellers and increase the availability of credit to low-income buyers; yet they result in the loss of some protection for the purchaser. As mentioned above, no survey is made to insure that neighboring land owners are not encroaching on the property. Similarly, no search is made to ascertain that the seller owns clear title to the property. These and other checks are usually required by experienced moneylenders to protect their investments, and consequently protect the middle-income borrower. For the low-income consumer usually unaware of potential problems no checks are made by a concerned third party; and the buyer usually relies on the knowledge and integrity of the contract seller. On the other hand, the seller's interests are carefully protected by the contract terms.

The terms of land installment contracts differ from those of conventional mortgages, because they are designed for real estate transactions in which the purchaser has little initial equity. The major differences between the two financing instruments is that the buyer using an installment contract does not receive a deed until he makes the final payment on his home, but a deed is immediately transferred to the purchaser using a mortgage.

Another important difference is the role of moneylenders. In a deed-mortgage transaction the purchaser makes a substantial down payment and borrows the remainder needed to pay a seller the complete purchase price. In exchange for the deed, the seller receives full payment
and no longer has legal interests in the property. The transaction then involves only the purchaser and a moneylender to whom he is liable for the amount of the mortgage. After the deed is transferred to the buyer, he signs a mortgage giving the moneylender a lien on the property, and a promissory note insuring that he will repay all money borrowed plus interest. The financial institution assumes long-term responsibility for collecting the debt. In land installment contracts, however, no moneylender is involved; and assuming that the seller does not assign the contract to another party, all monthly installments during the 20 to 30 years of repayment are made to the seller.

If at any time during the payment period the contract buyer misses a payment, the seller may terminate the buyer's rights under the contract; and the buyer becomes a tenant subject to summary eviction damages. This may occur whether the buyer has paid one percent or 99 percent of the total purchase cost. Under these provisions, the seller is protected from the irresponsible buyer; but the honest consumer who temporarily cannot make payments is at the mercy of the seller. Unlike the mortgage foreclosure procedure, repossessions and evictions are all too quickly and easily carried out.

In Chicago land installment contracts provided the buyer somewhat more security than did land contracts used in some other areas of the country, because buyers could, according to contract terms, obtain a mortgage after paying 50 percent of the principle. For most blacks in Chicago, this term was useless, since very little mortgage money was available to them.

Under the terms of land installment contracts black consumers' interests were not protected, however alternative means of financing homes were available only to the white middle-class. During the 1950s as homeownership in the Chicago area increased rapidly, blacks benefited little from the housing stock's expansion. The Federal Housing Administration (FHA) and the Veterans Administration (VA) accelerated this activity
by guaranteeing financial institutions that loans up to 97 percent of a dwelling's value would be repaid by the government in case of the buyer's default. (17) Reduced down payments, lengthened periods of repayment, and more abundant funds were the result when the government reduced the risk of lending.

During this period of increased housing market activity middle-class whites became homeowners, while the low-income consumer was neglected. In an effort to limit losses on foreclosures FHA set minimum credit standards for determining which buyers could afford to make payments. (18) Since most low-income consumers did not qualify under these guidelines, they were not aided by FHA programs for homeownership. Of course, low-income housing consumers were not neglected entirely, for several programs provided subsidies for rental housing. Yet, ownership and rental subsidy programs separated the economic classes into two district groups of which only middle to upper-income people were encouraged to own homes.

Just as the low-income white consumer suffered under limited availability of credit for homeownership, all classes of the black population in Chicago encountered this problem. Middle- and upper-income blacks as well as low-income blacks were excluded from the housing market by conventional lenders, the FHA and VA. Chicago's black neighborhoods received little or no mortgage funds until the mid-1960s. Most lenders justify this omission as good business practice, because according to them, the areas were declining rapidly with falling housing values and rising insurance and crime rates. Blacks were, however, restricted to residence in these areas by all of the discriminatory factors discussed earlier in this paper.

C. Black Home Ownership in Chicago

Realizing that opportunities were increasing for middle-class
whites to purchase homes while unsatisfied black demand for home ownership was rising, a few realtors on Chicago's West Side began to take advantage of both situations by selling to blacks on contract in predominantly white areas. The appearance of black faces in the working class, predominantly Jewish community of Lawndale caused rapidly lowered housing values, as whites tried to escape the westward expansion of black neighborhoods. White residents needed little stimulus from speculators to vacate the area leaving the homes that could be quickly sold to blacks.

Although the housing supply for blacks was increased by this activity, speculators did not necessarily have this objective in mind when they sold homes to blacks on contract. The two and three flat dwellings that composed most of the stock in this area were usually purchased at low panic prices as whites fled, and sold at high prices yielding large profits.

When the opportunity came to own a home by making a small down payment and agreeing to monthly payments, blacks willingly accepted the terms of land installment contracts as the only means of realizing their aspirations for home ownership. Because mortgage funds were not available for blacks, they were unable to purchase directly from the Jewish owners at low prices, but had to accept the inflated prices and unreasonable terms offered by contract sellers.

When purchases were made, most buyers did not understand the terms of these contracts. Many of the black people who came to live on the West Side had only a grade school education and very few had completed more than high school. In order to improve their bargaining position, many buyers consulted lawyers about the terms of agreements they were accepting. These lawyers were usually concerned with the legality of the contracts, however, and did not advise purchasers about the value of housing in which they were investing. Many West Side home purchasers entered perfectly legal contractual agreements for the purchase of dwelling units with questionable values.
Not until the late 1950s were contract sales of homes gradually increased on Chicago's South Side; and only during the 1960s were a large number of single family homes sold using this financing mechanism. Before 1958 most homes were rented to blacks moving into the predominantly white neighborhood.

In 1957 a surge of building activity began when Universal Builders started constructing single family homes in the area. These houses were marketed for the middle-class black family that was achieving a social and economic role of growing importance in Chicago's black community. Along with skilled factory workers and clerical workers with steady incomes, a large number of Chicago's black professionals settled here.

Most new construction in this South Side community of Englewood was built by Universal Builders or one of its ten subsidiaries. Few other land developers operated in this market. To both low- and middle-income blacks, Universal Builders offered land installment contracts as the only means of obtaining a home built by that company. Even when blacks had enough cash for a substantial down payment, they could use only installment contracts and not mortgages. (19)

Long run savings on the total purchase cost of homes had to be sacrificed to the short run convenience of low down payments and immediate occupancy; because the benefits of home ownership were attractive and no alternative means of financing homes existed. From this group of blacks who took advantage of existing opportunities emerged experienced home owners. As renters most blacks were unprepared in the fifties and early sixties to evaluate the worth of buildings, or to calculate the costs of repairs and maintenance that had to be paid along with monthly installments. By 1968, however, several years of experience as owners had made blacks in Chicago more aware of the problems and costs of ownership; and they began to realize the errors they had made when purchasing homes on contract.
CHAPTER II

ORIGIN OF THE CONTRACT BUYERS LEAGUE

A. Conditions Leading to Protest

The dual housing market functioned efficiently. During the 1950s and 1960s realtors pushed mostly discarded homes into the hands of waiting blacks while land developers stamped out grid-patterned environs for new white suburbanites. But the black consumer benefited little from the housing stock's expansion. Certainly a new class of land owning blacks was created, yet its recently acquired real estate was poor quality and over-priced. Blacks sought social and economic stability for their families through home ownership, but this dream was not realized. Instead, blacks sacrificed large portions of their incomes for housing that soon failed to meet their needs.

By 1967 blacks were disillusioned with the homes and new opportunities for well-being that they had purchased. Chicago's West Side community of Lawndale suffered most of the problems common to declining urban areas. Where once had been a stable working-class neighborhood was now deteriorating houses, uncleaned streets, over-grown vacant lots, and abandoned stores. Owning a home in this area was no longer an asset.

Housing in old declining neighborhoods did not alone fail to meet expectations of black purchasers. New homes in stable neighborhoods of the South Side were below the standards of quality which they had been attributed. The sidewalks of doctors' homes peeled away from buildings' foundations; the walls of factory workers' urban cottages sagged under
leaking roofs; and the dream homes advertised by Universal Builders had flooded basements.

Although neighborhoods declined and new homes were poorly constructed, the black contract purchaser was trapped in the agreement which he had made and toward fulfillment of which he devoted so much of his income. Both the size of his capital investment and the scarcity of easily financed quality housing dictated that a black contract buyer remain in areas like Lawndale where the housing stock and neighborhood was rapidly deteriorating, or Englewood where new homes were poorly constructed.

While black home buyers paid high prices for low quality housing, contract sellers made large profits. Chicago's real estate speculators may be called beneficent for they allowed blacks to purchase housing where social conventions previously forbade black residency. Willingly these realtors accepted the onus of financial risk and society's disapproval, when they purchased old homes from fleeing whites and sold to blacks. Yet in return for taking risks and developing bad reputations, realtors received large profits not obtainable in other sectors of the housing market. Blacks were finally able to buy homes, but only from speculators taking advantage of an artificially restricted market.

By the mid 1960s the cost of home ownership for blacks began to affect the economic security of black families and the physical condition of housing they purchased. Housing deterioration was not caused solely by the use of land installment contracts; but on Chicago's West Side this form of financing contributed to the housing stock's decay. Because monthly contract payments were so high, Lawndale's working class families had little capital to expend on repair and maintenance. Occasionally when repairs and maintenance were not handled and paid for directly by the buyer, they were made by the seller and their costs were added to the total purchase price of the house. Thus, the buyer's period of indenture to the seller was extended because of additional principle and
interest costs. Yet, these expenditures on repairs were usually insufficient to arrest decline of the property. The old two and three flat dwellings quickly became delapidated when maintenance was slightly lowered leaving blacks with broken dreams for which they still had to pay.

Payments were high. For several reasons a home purchased in Lawndale on contract was more costly than a home purchased on mortgage in other areas of Chicago. The dual housing market existing in Chicago forced blacks to pay a premium for housing in addition to the accepted white submarket value. This premium commonly known as a race tax has two components: (1) the difference between the black submarket price and the depressed price at which speculators acquired the property from frightened white sellers, and (2) the capitalized financing and holding cost levied as high interest rates by the seller who provided the buyer with long-term financing.

For the contract buyer in Lawndale this meant that the initial sales price and total interest payments were higher than those for comparable housing in the white submarket. The latter problem did not result because of high interest rates -- contract buyers usually paid no more than 0.5 percent above the existing market rate (21) -- but because the initial sales price was higher and the payment period longer than for comparable housing financed with a mortgage. For instance, in 1960 a real estate speculator purchased a residence from a white family for $14,000 and sold it three days later to a black couple for $25,000. Only a $2,000 down payment was required of the white realtor, for he obtained a mortgage for $12,000 in this allegedly unsound area where mortgage financing was refused to blacks. The black buyers soon decreased the seller's equity investment by making a $1,500 down payment and signing a contract calling for monthly installments of $226. Under this contract the couple was to have made total interest and principle payments of $44,820. If instead of this arrangement the buyers had purchased the dwelling at its FHA appraised value of $15,000 using a mortgage, they
would have paid a total of only $20,740; and their debt would have been paid off within a shorter period when using the same monthly installments of $226. By balloonining the price, the seller was able to extort a difference or race tax of $23,980 over the years. (22)

While playing homeowner the contract buyer remained for most purposes a renter. All of the incentives of home ownership encouraged blacks to invest as much time and money into their property as limited resources allowed, but too frequently only the contract seller benefited from these expenditures. Other than a copy of the land installment contract the buyer had no legal title to the house in which he lived, for the seller retained the deed until the last payment was made. Some contracts allowed the purchaser to obtain a mortgage and therefore a deed and legal control of the property after fifty percent of the principle amount was paid, but few sellers adhered to this provision. Instead, like a renter a contract buyer had no control over the dwelling and could be evicted through summary eviction procedures following the first failure to make a payment. In the name of justice for the investor family after family staked their savings in some homes only to be evicted like any renter, when they could no longer make monthly payments.

The expense of occupying standard housing was increased for blacks who became homeowners. The passive role of renter was replaced by a new position of responsibility in which blacks had to make large expenditures for property maintenance. Cash from black pockets replaced that which otherwise would have come from white landlords protecting their investments. Black owners could not casually accept housing as something to be used and discarded in time, but had to expend time and money on property maintenance. Even when the installment payments for single-family homes or the payments minus rental income for multi-unit dwellings were equal to normal rents in the area, the expense of repair and maintenance increased owners' housing costs. As neighborhoods
declined and building turnover increased, the rising cost of repairs and maintenance made the goal of home ownership more difficult to attain.

During the 1950s speculators in Lawndale passed on to contract buyers many responsibilities of controlling urban real estate, when land installment contracts were used. These magical documents turned renters who cared for housing only as temporary shelter into owners and landlords concerned with its long-term value. Black homeowners selected tenants for their two or three flat buildings, saw that repairs were made, collected rents and maintained the dwellings with the enthusiasm of investors expecting future returns. Yet, the possibility of gaining these profits declined with the neighborhoods that suffered from over-crowding as the rapidly expanding black population squeezed into a few units added to its housing supply. Speculators were relieved of the need to supervise their property in Lawndale while reaping returns on their investments. While working as full-time property managers, janitors and maintenance men, contract buyers paid monthly installments to the realtors they served. What matter to sellers that blacks could not maintain the buildings properly because of high monthly installment costs. The area's decline was imminent, but not before many sellers recovered their small investments. Usually only the buyer lost, for when he finally paid off his debt, he acquired a deed to a devaluated property in a declining area.

B. Exploitation Discovered

Lawndale sellers secured their investments against the buyer's default and neighborhood deterioration, but not against the changing attitudes of blacks that occurred there during the mid-sixties. Instrumental in bringing about this change was John Redmond (Jack) Macnamara, at that time a Jesuit priest studying at a seminary in Aurora, Illinois. In 1967 Macnamara began working with the Presentation Parish Church in Lawndale. Throughout the history of Lawndale, this Catholic Church had
remained as the area changed from Catholic to Jewish to black, and had retained much of its influence in the community even though most blacks were Baptist. With the encouragement of Father John Egan, then head of the church, Macnamara became interested in the community's problems. After participating in several religious programs, Macnamara decided to continue and extend his work in Lawndale. Under his direction eleven white college students from across the country came to live in the predominantly black community of Lawndale in the summer of 1967 and formed the Presentation Church Community Organization Project.

From two apartments in Lawndale these students moved throughout the community questioning residents and organizing programs to solve some of Lawndale's problems. Beginning with efforts such as obtaining children's play lots, Macnamara and his companions worked in the community and established a degree of acceptance among the people. No lack of issues thwarted this group's efforts, for the declining West Side had many problems awaiting solution. Sporadic garbage collection, dilapidated housing, abandoned buildings, over-crowding, unemployment, and high crime rates were only a few of the problems affecting Lawndale. What began as a summer project for twelve students continued throughout the year and evolved into a movement for institutional change.

Only after organizing several projects to obtain better public facilities did Macnamara and the other students discover the problem that they believed to have contributed largely to Lawndale's decline. In land installment contracts they identified a cause of undue social and economic stress on black families and the community. Because the cost of home ownership was so high when homes were purchased on contract, black husbands worked two jobs, their wives were employed, and family life was reduced to a minimum. According to Macnamara's observations, there was little time left for blacks in Lawndale to form solid family structures that allowed close supervision of children and organized opposition to crime in the area. (23)
The effect of housing on human life has frequently been studied and often over-emphasized as the source of all urban problems. While not the only detriment, the cost of purchasing homes did affect the lives of blacks on Chicago's West Side and to some extent hasten the area's physical decline. Even if land contracts caused decay in no other way, they allowed high sales prices that diverted funds which could otherwise have been used for repair, maintenance, and improvement.

As early as 1958 warnings were voiced concerning the potential deleterious effects of contract sales, yet they were not heeded; and the extent to which land installment contracts were used in Chicago remained unknown to contract buyers. Unfamiliar with legal forms and uninformed by lawyers whom some consulted, black buyers usually believed that they had mortgages.

The frequent incidence of contract purchases was not acknowledged and efficaciously opposed in Chicago until 1968, following Ruth Wells' complaint to Father Egan of problems with her realtor. Realizing that without a deed she had little control over her property, Ruth Wells and her husband sought to obtain this document after the amount specified in her contract, 50 percent of the principle, had been paid off qualifying them for a mortgage and deed. Despite the endeavors of Mrs. Wells and her lawyer, the contract seller could not be prevailed upon to give her a mortgage. Citing the cost of repairs added to the sales price after the agreement was closed and increasingly high insurance rates that were deducted from monthly amortization payments, the seller insisted that the required fifty percent of the principle had not been paid off as Mrs. Wells had calculated.

When Mrs. Wells took the advice of Father Egan and brought her problem to the attention of Jack Macnamara, events began that eventually changed real estate practices in Chicago. Talks with Ruth Wells convinced Macnamara that all blacks probably experienced difficulties when purchasing real estate in Lawndale. During the seminarian's activities in
Lawndale complaints were frequently made about the high "mortgage payments" required when purchasing a home. Not mortgage payments but land installment contract payments were soon found to be the cause of these complaints. Because contract sellers retain deeds until final payments have been made, it was not difficult to determine the extent to which contract sales were made in Lawndale. A search for titles in a twelve block area disclosed that titles to more than half of the homes were possessed not by black homeowners but by realtors who had complete control of property being purchased on contract.

The slow process of informing and organizing the community began. Within the twelve block study area the students, Ruth Wells, and eventually other contract buyers went from house to house discussing the problem of contract buying in Lawndale and enlisting support to force contract changes. What was the problem that these people set out to solve and why did their opposition to contract sales succeed when earlier attempts to change land contracts had failed? After all, this was not the first time contract buyers had united to oppose unfair real estate practices connected with land installment contracts.

In 1966 urban renewal's construction of a shopping center in one section of Englewood raised the ire of displaced homeowners. The major concern of the South Side homeowners was to stop urban renewal of their neighborhood or to obtain payments for their property that reflected the inflated sales prices they had paid. In seeking these objectives these owners learned of problems connected with land installment contracts. At that time owners of two, four and six-flat dwellings and some single-family homes discovered the difference between white and black submarket housing prices, and the inequitible distribution of power between white deed-holding sellers and black contract purchasers.

In determining what prices should be paid for property to be purchased by eminent domain, the City of Chicago did not consult contract
purchasers but only realtors holding deeds. Usually the price decided upon by these two parties was well below the sales price charged to black buyers, but within the price range for comparable housing in the white submarket. Contract buyers protested arguing that they had a right to participate in determining the settlement price; but they were ignored. The City of Chicago paid just enough for the housing to pay off the seller's mortgage, but not enough to cover the land installment contract price. For example, if a buyer had purchased a home on contract for $25,000 and had paid $17,000 on the principle at the time of the urban renewal project he only received $14,000, the seller's acquisition price for the house, when it was purchased by eminent domain. Sellers recovered their investments, cancelled their mortgage debts and often made a profit, while contract buyers lost their homes and retained an unpaid balance on the land contracts. Pickets and attempts to pass state legislation protecting the contract purchaser against public action failed at that time, and the South Side buyers were scattered to make way for a shopping center.

Along with community organizations that tried and failed to change contract sales in Chicago, public agencies attempted to bring the use of land installment contracts to the public's attention only to elicit little or no response. In 1962 the Chicago Commission on Human Relations published a study that exposed the extensive use of land installment contracts showing portions of black areas where only this financing mechanism was used. Yet, later studies of Chicago's housing market have consistently failed to consider the importance of land installment contracts in black areas and often equate this form of residential real estate financing with the traditional mortgage. Though blacks responding to questionnaires may frequently have stated that their homes were mortgaged, the reliability of such data has been proven low by the Contract Buyers League's experiences. Until CBL became active, most blacks were unaware that they held installment contracts instead of mortgages.
C. Social Change

Where earlier community organizations and public agencies had failed, the Contract Buyers League succeeded, for its appeal touched the public as well as contract purchasers. Unlike the South Side group that organized to oppose one issue, the destruction of their homes by urban renewal, CBL identified the cause of a multitude of problems that were attracting public attention at that time. Not individual homeowners impeding urban renewal's progress and community improvement, but the poor, the black, the downtrodden consumer uniting against the landed establishment led the Contract Buyers League to popularity.

The mid-1960s provided a salubrious environment for such righteous revolt. This was the time for America to attack its domestic problems; and the provocation for this action came from new power groups composed of the oppressed. A number of movements were in full-swing when the contract buyers posed their problem to the public. The most significant change occurring at that time was the general politicization of the poor. The "war on poverty" had long been a common phrase on the American scene. The Office of Economic Opportunity made available new job openings, while Community Development Corporations spread the idea of neighborhoods instigating urban change. Yet, these governmentally approved programs were not the only efforts to improve the situation of the poor. On foot and behind horse carts poor people marched to Washington, D.C. led by Martin Luther King's Southern Christian Leadership Conference (SCLC) to obtain more rights for the poor; and welfare mothers began picketing for larger child-care allowances.

In this politicization process the black poor had a major role. Filling a large part of the low economic stratum especially in major Northern cities, poor blacks experienced directly the deterioration of urban ghettos as central cities continued their rapid decay. Trapped in these areas with substandard housing, non-functioning public services, few
job opportunities and little personal safety, they began the riots of Watts, Newark, Detroit and other cities that shook America for several summers. The destitute were not the only blacks who rebelled in their ghettos. Families with stable incomes like Chicago's contract buyers also wanted to destroy the inequities that locked them in declining neighborhoods and denied them many opportunities available to whites. Revolt was accompanied by growing racial consciousness and often militancy that changed the black minority into a viable political force.

Chicago's black minority was particularly well established as a politically expressive group. The Northern stronghold for the Southern Christian Leadership Conference, Chicago had a long history of black efforts to improve neighborhoods and extend housing opportunities. It was here during the 1960s that Martin Luther King, Jr. led open housing marches against strong efforts by segregationists. From both the South and West Side communities came blacks to participate in these and other efforts to improve their living conditions.

Many exploited groups expressed opposition in Chicago during the 1960s. Like tenants across the country, renters in Chicago began to organize their strength. While most tenant organizations in other cities, however, were formed by middle- and upper-income renters, those in Chicago were more frequently formed by low-income, inner city groups. Since the days of settlement houses and Jane Adams, Chicago's poor had been familiar with the power of community organizations and had known the successes of groups such as Back of the Yards and The Woodlawn Organization led by Saul Alinsky.

During this time a resurgence of the movement for consumer protection also occurred. Organizations like Nader's Raiders tried to protect the middle-class American against shoddy or dangerous merchandise; and studies such as that by David Caplovitz pointed out that the nation's poor were paying far more for goods and services than were consumers with better credit ratings. Protests by several consumer
organizations led to attempts at passing Federal, state and local laws protecting the consumer. In Illinois legislation dealing directly with the use of land installment contracts had even been written as a result of South Side homeowners' efforts in 1966, but it had not been passed. This proposed legislation, known as the "Consumer Real Estate Protection Act," stipulated terms to be included in land installment contracts to decrease the buyer's obligations and give him more control of the property without unduly risking the seller's investment. Society was beginning to realize that in real estate as well as other markets, sellers had unfair advantages in transactions especially with low-income consumers and that regulation was required to direct this unbalanced system toward equilibrium. No longer was caveat emptor the creed of the nation's market system.

Within the nation there were increasingly popular attitudes conducive to improving the situations of the poor, the black and the downtrodden consumer, categories into which the contract buyers fit well. That the Contract Buyers League was formed and well-supported is not, however, a logical concomitant of these trends. Although national and metropolitan political environments weaken or stimulate community action, they alone do not determine success or failure of these efforts. Contract buyers were aware of changing attitudes toward institutional racism and consumer exploitation, but this awareness did not insure that they would try to emulate the successes of other movements. To better determine the reasons for CBL's acceptance and growth at this time, goals and activities of the organization must be considered given the neighborhood context in which the organization developed.

D. Organizing the Contract Buyers

When organizing the contract buyers of Lawndale, the homeowners' apathy had first to be overcome. Earlier efforts by the Presentation
Church Community Organization Project had partially surmounted this problem by eliciting participation in projects to obtain children's play lots and to improve community services such as garbage collection. These triumphs over City Hall gave credibility to the idea of community organizations effecting change. To oppose the less impressive but stronger foe of numerous small realtors required a greater effort by Lawndale residents. Their goals had to be clearly defined, for this opponent was not a public servant but a private agent, and was supported by the tradition of the free market system. In opposing contract sellers black buyers attacked the exploitation of existing market conditions, and the concept of good business practices that allowed economic discrimination.

The Contract Buyers League only gradually began to define its goals. A detailed history of the League need not be presented here, for other writers, notably James A. McPherson, have described its formation and growth. (27) Important in determining reasons for CBL's success, however, is an awareness of the organization's early difficulties in attracting members.

To call the Lawndale residents first concerned with contract buying an organization is to attribute formal structure and power the small number of enthusiasts did not then have. What these five or six buyers did have was a sense of injustice resulting from their experiences with real estate purchases and a desire to improve their bargaining position by uniting with other contract buyers. Supported by Macnamara and the other students, they set out on a project indistinguishable from earlier efforts by the Presentation Church Community Organization Project. Real estate title searches had shown that most Lawndale purchasers were contract buyers and did not possess deeds and mortgages for their homes; but convincing these residents of this fact was very difficult. A sense of pride, desire for privacy and fear of embarrassment prevented most blacks from admitting to themselves or others that they had purchased homes on land installment contract. These people who aspired to home
ownership did not want the stigma of helplessness and ignorance associated with exploitation of the poor. In the neighborhood meetings attended by Ruth Wells, her husband and one other contract buyer, and organized by the students, Lawndale residents did not respond to charges against realtors. Only gradually did buyers equate their high housing costs with realtors' misuse of land installment contracts.

The process of organizing buyers was slowed by blacks' reluctance to accept the aid of white students out to transform the ghetto. At meetings held in the Presentation Parish Church or Macnamara's apartment, few people wanted to expose their mistakes before the outsiders who called them together and conducted the meetings. While Lawndale residents had been willing to attack Chicago's neglect of their neighborhood, they did not at first enthusiastically oppose the market system which their lack of sophistication helped to perpetuate. Not until Ruth Wells began to actively participate in the meetings did other blacks acknowledge their familiarity with the problem, contemplate its solution, and recruit friends and neighbors to join the fight.

Unknown to these neophytes was the time and effort this fight would require. Still unresolved at the time of this study, the attempt to renegotiate land installment contracts continues in the Federal courts where contract buyers finally took their demand for justice. Despite buyers' reluctance to fight and sellers' prolonged resistance, the small number of rebellious buyers eventually grew into a strong organization of about five hundred buyers seeking the renegotiation of an estimated 3000 land installment contracts in Lawndale. (28) It was this goal that gave CBL much of its solidarity, for the savings obtained by reducing the sales price of a house to the appraised value and refinancing with a mortgage often amounted to several thousand dollars. As calculated by the League the average savings per family because of contract renegotiations was $14,000. (29) Early during the organization's formation this monetary objective was emphasized and became a strong incentive around which to
mobilize support. While appealing to the public's conscience as poor black consumers, the contract buyers sustained their own motivation with the realistic goal of reduced housing costs.

In February of 1968 this group of concerned homeowners became known as the Contract Buyers of Lawndale. The members set about further structuring the organization. Leaders were chosen and the group was formally distinguished from the Presentation Church Community Organization Project, which retained a small student membership. Charles Baker and Clyde Ross, both Lawndale contract buyers, were named President and Vice-president respectively. This move further strengthened the organization by providing the members with black leaders who had experienced the same problem with realtors, and with whom the homeowners could identify. Macnamara and his helpers did not bow out of the movement at this time, but continued to participate in decisions about policies and strategies for forcing renegotiations. Activities by the Presentation Church Community Organization Project were soon suspended in favor of an all-out effort against contract sellers. The following was stated in an essay by Macnamara:

> Because the project workers wanted to emphasize the necessity and importance of the residents themselves assuming the responsibility for the solution of problems...they decided to retain their own identity as the Presentation Church Community Organization Project. In June 1968, the members of the project decided to change their name to the Gamaliel Foundation, as a result of the inspiration received from the...passage in the Acts of the Apostles... (30)

More than an afflatus, however, stimulated the formation of this group. The Gamaliel Foundation with its non-profit, tax-exempt status received all donations for support of the contract buyers' protests; and later as two Federal court cases dragged on and enthusiasm among the buyers diminished, most activities against the contract sellers were conducted by either lawyers or students working out of the Gamaliel...
Foundation's downtown Chicago office.

Once Macnamara and a few contract buyers established support in Lawndale, contract buyers on Chicago's South Side were more easily organized. Although geographically separated and socially differentiated, residents of the two black areas often worked for the same firms. An established social attitude held by many black Chicagoans attributed to South Side blacks a higher social and economic status than to blacks living on the West Side. Yet, at work members of the two groups were brought together as they performed the same tasks; and there the South Side purchasers learned that they too were contract buyers. Like the West Side purchasers, most South Side residents complained of high mortgage payments and were convinced that their homes were financed using traditional mortgages. In talking with Clyde Ross, Vice-president of the contract buyers' organization, several employees of Campbell Soup Company learned the distinction between land installment contracts and mortgages. At first one South Side buyer was unwilling to believe that his new, custom-built home was still controlled by a realtor and volunteered to show Ross his 'mortgage.' But, Ross finally proved to many of his fellow workers that they were in the same position as West Side buyers.

Contract buyers like Ross and news accounts of early activities in Lawndale informed many South Side buyers of the problem and convinced them to join the West Side group. Because all homeowners in one section of Englewood purchased from a single land development company, Universal Builders, or its subsidiaries, it was less difficult to persuade these buyers that they had land installment contracts than to convince West Side buyers who purchased from over a hundred realtors.

With the added strength of many Englewood residents the homeowners formed the Contract Buyers League to protest the misuse of land installment contracts. This organization had more than the immediate goal of self-protection which motivated the group of South Side buyers opposing urban renewal in 1966; the League also had an appeal that
attracted public sympathy. With goals defined and supporters mobilized, the Contract Buyers League set out to obtain recompense for inequities in the housing market.
A. The Contract Seller's Position

Soon after it was organized, the Contract Buyers League set out to renegotiate land contracts by continuing talks begun by Ruth Wells and Jack Macnamara with West Side sellers. According to one publication by a group of West Side realtors, the League was the creation of outside agitators upsetting otherwise content homeowners. (31) An advertisement in a Catholic newspaper by the Real Estate Investors Association complained to the public that "the Contract Buyers association was organized, instigated by the Presentation Catholic Church... It incited the contract purchasers by telling them they had been 'exploited' -- that they had overpaid for their property." (32) Against what was considered groundless protest, the contract sellers reacted with impatient tolerance. In talks with CBL's leaders and members, most realtors offered false sympathy and palliatives along with concessions of small reductions in sales prices and buyers' responsibilities.

Attempts to placate contract buyers were not long successful. Realizing that only superficial reductions in housing costs would be obtained by bargaining with contract sellers, CBL continued talks, but also began the second phase of its protest. In the summer of 1968 even before the membership was enlarged by South Side homeowners, buyers began picketing realtors' offices. To these routine Saturday pickets sellers at first reacted with bravado, telephoning each other and joking about the demonstrations outside their offices. This sense of humor
soured when contract buyers began to picket realtors' homes, and dis-
appeared when one speculator thus pressured, repented his erring ways
and agreed to renegotiate about fifty contracts. Now the pickets that
provoked complaints from friends and neighbors irritated contract
sellers, as well as strengthened their resistance. By labelling as a foe
all contract sellers instead of the individual realtors confronted in
private talks, buyers inadvertently spawned what had facetiously been
called a 'contract sellers league' composed of realtors selling in Lawndale
who pooled money to oppose the contract buyers. No longer did the
realtors hesitate to become embroiled in the controversy. To these men
the League's efforts were a farcical attempt to destroy a valid business
procedure, and they were determined to resist.

What right had the contract buyers to demand reductions in the
sales prices of their homes, and failing in talks, to loiter around the
offices and homes of respected businessmen? After all, as Judge Sam
Perry, a Federal District Court judge, stated in a case brought to court
by a South Side contract buyer in 1972, some situations allow greater
profits than others. He stated:

> The same economic forces and the law of supply
> and demand create and destroy markets for building
> boom towns in time of war and dying ghost towns
> in time of peace. The same thing occurs in other
> economic phenomena, such as a gold rush, a uranium
> strike, a new highway, a railway or the St. Lawrence
> Waterway. One area is distressed; another is
> incremented by increased activity.

According to this attitude, which was enthusiastically espoused by contract
sellers, the real estate market place is a haven for courageous specula-
tors and the low-income black consumer's plight is a gold mine.

Since contract sellers did not themselves create the dual housing
market, these realtors believed they were not guilty of exploitation and
discrimination. They simply took advantage of an existing bad housing
situation to extract maximum profits. That homes were sold at prices
far in excess of their fair market value was coincidental. As expressed by one realtor's lawyer, "there is no law of any kind which requires a man to sell his property only at fair value. This is one of the most basic of all concepts in our economic system... (that) 'on sale of property the parties may make such a bargain as they can agree upon...'. " (34)

Legislation protecting the consumer has long been neglected, while laws originally designed to protect sellers from undue losses have been abused by unscrupulous sellers. Yet, this lack of regulation protecting the consumer against grossly inequitable market conditions does not justify the exploitation approved by this lawyer and the contract sellers.

No longer does the cash-and-carry society exist. Instead, the acquisition of goods and services on credit has become an integral part of the American way of life. While mushrooming growth and expansion of consumer credit has occurred, however, alterations of the nation's laws to reflect these changing conditions have been made very slowly and often in an ad hoc way to deal with specific problems. During this gradual change consumers who are considered poor credit risks like the contract buyers have suffered. Low-income consumers pay inflated prices for inferior goods and services, because they are restricted to a sector of the market operated by sellers willing to extend them credit. (35) Television sets are sold at prices several times greater than their value, then reclaimed as soon as the low-income consumers miss a payment and sold to other unwary purchasers at only slightly reduced prices; cheap watches, jewelry, and household goods are peddled from door to door in ghetto areas and sold at high prices to housewives unable to determine their real value; and furnaces are repaired with used or poor-quality parts that soon cease to function. The small businesses usually serving low-income consumers justify their high prices as essential to offset the risk of selling on credit to low-income people. Ballooned prices, rapid repossession, and poor-quality goods are considered reasonable compensations for losses often incurred when dealing with consumers who have
very low or unstable incomes. That the size of these compensations is not always warranted by the amount of risk taken is too frequently ignored.

It is unfair to compare contract sellers with a few profiteering ghetto retailers without first analyzing the risk these real estate agents took in selling homes to blacks. Rapid repossession of homes, sales prices above market values, and poor construction or dwelling condition might well be reasonable given the context in which sales were made. In fact, the contract sellers may be considered beneficent for they alone extended credit to blacks when all other access to credit for housing purchases was closed. To finance real estate transactions an investor interposed his own credit rating between that of the buyer and a lending institution, thus taking responsibility for a loan that was actually paid off through him by a contract purchaser. In return for assuming this responsibility and in effect guaranteeing the loan's repayment to a money lender, the contract seller received from the buyer the mortgage amount plus a premium.

When land installment contracts are used correctly, this premium adequately repays the investor for providing long term credit and does not impose excessive costs on the buyer. Whether used for low-income black or white consumers, land installment contracts usually require a larger ratio of profit to purchase cost than is needed for conventional mortgages to middle-income consumers. According to data gathered on contract sales in Baltimore, Maryland, the average difference between the original purchase cost of a dwelling and the contract price is 80 percent. (36) For example, a building acquired for $7,000 was sold for $13,000 on contract with a profit of $6,000. As analyzed by Michael Stegman, this mark-up was at least partially negated by several expenses including financing charges to the investor, title searches, renovation and decoration expenses, commission, and overhead. When discounted to its present value, the profit received during the entire repayment period was even further reduced. A profit of about 12 percent was
usually attainable, but the risk of selling to a low-income consumer was barely offset. (37)

Although Stegman's analysis identifies reasons for the mark-up required by most contract sales, his analysis does not fully apply to contract sales in Chicago. Sellers received more than a moral uplift when they bought and sold real estate in racially transitional neighborhoods. Large profits were obtained, because costs were not high. In Lawndale, for instance, contract sellers seldom incurred the costs of title searches, or renovation and decoration expenses that were considered a major expenditure in Stegman's analysis. Most importantly, many sellers of old homes on Chicago's West Side bought the houses at panic prices and sold them at prices in excess of their fair market value. As Stegman admits, larger returns are feasible when contract sellers obtain properties from distressed white owners. (38)

B. Unreasonable Terms and Inflated Prices

During the 1950 Lawndale's contract sellers received large profits. Although these speculators risked the possibility of default by low-income consumers, their investments were usually well protected. Because buildings were acquired at low prices, speculators' cash involvement in the property was limited. As I discussed earlier, one investor made a $2,000 down payment on a $14,000 house and obtained a $12,000 mortgage. His cash investment was soon reduced to $500 when a contract buyer purchased the house for $25,000 and made a $2,000 down payment. Since the monthly payments for the seller were much lower than those of the contract buyer, the seller had no difficulty making his mortgage payments and netting a profit as long as the contract buyer paid regularly. Under similar terms most speculators could anticipate annual returns of thirty to forty percent. (39) Data showing sellers' costs and returns have not been systematically analyzed to confirm this idea, but from
conversations with realtors who operated in Lawndale during the 1950s and with their lawyers I concluded that the transactions conducted in Lawndale were much more lucrative than those made in Baltimore according to Stegman's study.

Contract terms also protected the sellers' investments and insured large profits during the early years of contract selling in Lawndale. Land installment contracts contained stipulations devised mainly to protect the seller. One cause of complaints by the contract buyers was the high cost of insurance and real estate taxes that were paid in addition to monthly installment payments. Insurance premiums and taxes are usually paid by the purchaser even when traditional mortgages are used, because the property is considered a security and must be protected against liens or lapses of insurance that can decrease its value. For the contract buyer, however, this requirement was particularly onerous. In most cases the contract seller was named as beneficiary of homeowners' policies. The seller was protected in case of fire or other damage, and usually recovered his investment while the buyer lost all. In order to provide this protection of the speculator's investment, the contract buyer had to pay high insurance premiums. Because most quality insurance companies refused to provide coverage in areas labelled as high risks because of racial transition, blacks had to pay substandard companies an average of $100 more per year for partial fire coverage than for full coverage from quality insurance companies. (40)

The cost of repairs was also shifted from realtor to buyer. As Stegman observes, renovation and decoration costs may usurp a large portion of the seller's profit from land installment contract sales. (41) In Chicago this was not a problem for the seller. Properties were not improved in the two or three days between acquisition and sale, and even major housing code violations were neglected. Since it was unnecessary to ornament a product already craved by black consumers, speculators pawned off houses in very bad states of repair. Despite a realtor's verbal
guarantee that a property was in good condition, the appearance of Chicago building code inspectors too frequently proved the contrary. In one case a black couple was compelled to spend $2,500 on repairs, as the result of a building inspector's visit only three weeks after they moved into their newly acquired home. (42)

Monthly installment payments, insurance premiums, real estate taxes, and repair costs occasionally proved too great for the low-income purchaser. In case of default speculators did not always play the villain moving families into and out of housing as quickly as strong market demand would allow. Especially during the early years of contract sales in Lawndale, speculators who wanted to reap a profit quickly tried to retain contract buyers with histories of regular payments, because contracts with buyers who had good credit standings could be assigned to investors looking for sound real estate ventures. By assigning his interests to another investor, the speculator rapidly recovered his investment before the neighborhood and consequently the housing market declined. Missed installment payments were often ignored and families encouraged to continue the contractual agreement. By sympathizing with the little old lady or family of ten and allowing some delinquencies, the realtor protected his investment.

As Lawndale declined pressure on both the contract buyer and seller increased. Many speculators had long ago recovered their investments and a substantial profit when deterioration constricted further returns. These speculators had already paid off their mortgages and had to pay only insurance and taxes on their properties. Buildings in default and very bad physical condition were unhesitatingly abandoned by the investor without loss. Other realtors even benefited from this situation. They acted as landlords without assuming any of the responsibilities of that position. Because contract buyers had to pay insurance premiums in addition to monthly installment payments, the purchaser's monthly obligations were increased as the neighborhood declined and insurance
premiums rose. If as in the case of Ruth Wells, the buyer was not adequately informed of these increases, he made the specified minimum installment payments each month without significantly reducing the principle. In this way the contract buyer sometimes unknowingly became the equivalent of a permanent renter and building superintendent diligently paying the seller-landlord.

Some realtors and assignees were understandably outraged by the Contract Buyers League's demands for contract renegotiations. Having purchased in Lawndale after the market declined, their investments had not been recovered or brought significant profits. Provisions of land installment contracts were being utilized to lessen valid risks to these sellers. The woes of the contract seller were many. The realtor's credit was threatened by a buyer's default because the realtor still had a mortgage outstanding. Also, new contract buyers were not easily located to replace defaulting buyers. Demand for Lawndale homes had decreased, as housing opportunities opened to blacks in other parts of Chicago and deterioration devaluated the West Side community. The aspiring homeowners once so easily lured to Lawndale evaded the area. As the number of applicants for homes decreased, careful screening of buyers was almost impossible. This greatly aggravated the difficulty of managing West Side property. Despite determined attempts to provide personalized, full-time servicing of accounts the most dedicated realtor found it difficult to collect payments from poorly selected buyers. When a realtor lost a contract buyer during the 1960s, the seller's investment usually went with him; for in the declining area buildings vacated for more than a few days were usually stripped and often gutted by fire. The high risk of default and total losses existed; and realtors demanded large profits on their few successful ventures to compensate for these losses and insure future capital investment.

Contract buyers were also harmed by Lawndale's decay, as repair and maintenance costs increased. Because during the 1960s sellers
were unwilling to invest capital in buildings surrounded by dilapidated structures, contract buyers, especially those purchasing dwellings following default, often inherited many building code violations and bad states of repair. The high price charged to these buyers almost insured subsequent default. If the purchase price and accordingly monthly installment payments had been lowered, contract buyers would have been better able to absorb the rising insurance and maintenance costs; neighborhood decline would perhaps have been abated; and contract sellers would have been assured of some profit.

Evidence does not show that contract sellers needed as much protection against default as inflated prices and oppressive contract terms provided. Even Stegman's analysis of contract sales in Baltimore assumed a high default rate that did not actually occur. (43) As several studies have shown, most credit patterns of low-income consumers are based on such time purchases as automobiles and household furnishings that are not good indicators of reliability as home purchasers. (44) Not until the Contract Buyers League began its activities did realtors in Chicago complain of high default rates; and these were not caused by the buyers' lack of responsibility but their planned protest.

On Chicago's South Side the high price of housing was not even justified by the risk of selling to low-income consumers. Englewood was a largely middle-class black community. While a large number of people who bought homes there had low incomes, many others had stable, moderate incomes and were able to make substantial down payments on their homes. (45) All blacks, however, purchasing from Universal Builders or its subsidiary land companies had to use land installment contracts. Because they were black, these prospective homeowners were treated as low-income consumers and forced to pay high premiums for their homes. The lack of alternative financing methods and the limited supply of housing in the black submarket insured that Universal's terms were accepted.

Like consumers who are considered poor credit risks by ghetto
retailers, the contract buyer paid a high price for a low-quality product. Instead of charging very high interest rates, Universal Builders raised the price of housing units far above their fair market values. This usurious form of hidden interest rates is usually illegal when it occurs in loans; but in sales the increase is difficult to identify and is often accepted as a valid increase because of strong market demand.

The quality of Universal-built homes did not account for high sales prices. Poor construction, and unfinished work caused constant complaints by the buyers. These single-family houses had ceilings that collapsed, foundations that were thin and cracked, and amenities that were not provided despite extra charges for them.

Several real estate appraisers familiar with Englewood attempted to determine fair market values of the homes. In selecting comparable housing they looked at quality, quantity, and surrounding environments of housing, but not the financing mechanism used for its purchase. Most houses chosen were mortgaged. Consistently these appraisals based on property values and states of repair at the time of purchase were lower than prices charged by Universal Builders and its subsidiaries. Using sales of comparable homes both in the predominantly black neighborhood of Englewood and two white neighborhoods, one appraiser discovered that on the average the contract prices charged by Universal and its ten land companies exceeded fair market value by $6,508 or 34.5 percent. (46) Table 1 includes some of these appraisals. These findings were supported by another appraiser's somewhat lower figures. Using the same appraisal method but different comparable property he concluded that the controversial South Side homes were priced on an average of 20.6 percent above their fair market value. (47)

Prior to construction appraisals were made of these homes, when Universal Builders applied to several savings and loan associations for construction mortgages. Even these appraisals using the replacement
### Table 1

**A Comparison of the Appraised Values and Contract Prices of South Side Homes**

<table>
<thead>
<tr>
<th>Address of Dwelling</th>
<th>Contract Price</th>
<th>Appraisal</th>
<th>Land Company*</th>
<th>Contract Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>8528 S. Calumet</td>
<td>$32,450</td>
<td>$23,000</td>
<td>Chatham</td>
<td>2/17/61</td>
</tr>
<tr>
<td>9418 S. Emerald</td>
<td>$22,450</td>
<td>$17,000</td>
<td>Independence</td>
<td>10/7/59</td>
</tr>
<tr>
<td>9651 S. Yale</td>
<td>$23,950</td>
<td>$15,500</td>
<td>Lawson</td>
<td>9/19/62</td>
</tr>
<tr>
<td>517 E. 87th St.</td>
<td>$24,200</td>
<td>$16,500</td>
<td>Rosewood</td>
<td>12/14/62</td>
</tr>
<tr>
<td>9141 S. Halsted</td>
<td>$24,350</td>
<td>$18,500</td>
<td>Rosewood</td>
<td>9/6/62</td>
</tr>
<tr>
<td>431 W. 97th Pl.</td>
<td>$20,450</td>
<td>$16,000</td>
<td>Lawson</td>
<td>12/20/61</td>
</tr>
<tr>
<td>1350 W. 115th St.</td>
<td>$27,950</td>
<td>$21,500</td>
<td>Rosewood</td>
<td>7/17/64</td>
</tr>
<tr>
<td>9420 S. Eggleston</td>
<td>$24,950</td>
<td>$19,500</td>
<td>Hamilton</td>
<td>8/25/66</td>
</tr>
<tr>
<td>9627 S. Yale</td>
<td>$20,950</td>
<td>$16,000</td>
<td>Rosewood</td>
<td>9/16/64</td>
</tr>
<tr>
<td>9410 S. Emerald</td>
<td>$27,450</td>
<td>$18,000</td>
<td>Lawson</td>
<td>8/20/60</td>
</tr>
<tr>
<td>551 W. 95th St.</td>
<td>$29,950</td>
<td>$22,500</td>
<td>Hamilton</td>
<td>11/2/66</td>
</tr>
<tr>
<td>9218 S. Eggleston</td>
<td>$25,950</td>
<td>$19,000</td>
<td>Hamilton</td>
<td>4/28/67</td>
</tr>
<tr>
<td>9246 S. Eggleston</td>
<td>$31,950</td>
<td>$23,000</td>
<td>Hamilton</td>
<td>10/11/66</td>
</tr>
<tr>
<td>205 E. 87th</td>
<td>$26,300</td>
<td>$18,500</td>
<td>Independence</td>
<td>6/13/61</td>
</tr>
<tr>
<td>8632 S. Wabash</td>
<td>$26,250</td>
<td>$19,500</td>
<td>Jarvis</td>
<td>11/14/58</td>
</tr>
<tr>
<td>8304 S. Rhodes</td>
<td>$22,950</td>
<td>$16,000</td>
<td>Independence</td>
<td>7/18/60</td>
</tr>
<tr>
<td>9212 S. Parnell</td>
<td>$26,500</td>
<td>$20,000</td>
<td>Larchmont</td>
<td>9/28/61</td>
</tr>
<tr>
<td>9405 S. Lowe</td>
<td>$19,450</td>
<td>$18,000</td>
<td>Jarvis</td>
<td>8/26/58</td>
</tr>
<tr>
<td>9431 S. Emerald</td>
<td>$22,450</td>
<td>$17,500</td>
<td>Jarvis</td>
<td>7/3/58</td>
</tr>
<tr>
<td>9431 S. Lowe</td>
<td>$26,450</td>
<td>$20,500</td>
<td>Independence</td>
<td>3/31/59</td>
</tr>
<tr>
<td>7834 S. Wabash</td>
<td>$27,250</td>
<td>$21,000</td>
<td>Larchmont</td>
<td>5/2/58</td>
</tr>
</tbody>
</table>

Averages

<table>
<thead>
<tr>
<th>Contract Price</th>
<th>Appraisal</th>
<th>Land Company*</th>
<th>Contract Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,376</td>
<td>$18,868</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average Excess of Contract Price over Appraisal = $6,508

* The land companies are all subsidiaries of Universal Builders, Inc.

cost method showed that sales prices exceeded the fair market value by an average of 20.9 percent. In making these appraisals a per square foot cost of constructing the type of house appraised was obtained from a standard appraisal manual and multiplied times the number of square feet in the house. To this price was added the land value and an allowance for the seller's overhead and profit of 16 percent.

This allowance for profit was apparently lower than the contract sellers deemed acceptable. At no time in dealing with the Contract Buyers League did the developers explain their high prices as essential when selling to low-income consumers. If risk of operating in this section of the housing market had been cited as the basis for their pricing, it could not have been supported; for the default rate on the 1,300 new homes purchased on contract was very low. In any case, sellers considered it legitimate to make as large a profit as the tight black housing submarket allowed. Considering themselves benefactors because they served the black community, they even believed they were aiding the efficient market system by charging prices only within reach of blacks with high incomes, and consequently the strongest effective demand. High prices, as Universal interpreted them, were a necessary rationing method for the limited black housing supply.

The land installment contracts they used, however, were designed for low-income consumers. Contracts used by South Side developers contained clauses to insure a profitable return. When combined with the high sales prices, these restrictions gave the seller unfair advantages. Among the terms were changeable interest rates. Although interest rates charged were usually no more than 0.5 percent about the market level, these rates could be rapidly increased when payments were missed. In one instance, a buyer's interest rate was raised from 6.5 percent to 8.0 percent when the buyer, active in the Contract Buyers League, missed one payment. Also, charged to the buyer were attorney's fees expended in changing this rate.
None of Universal's contracts specified the term over which payments were to be made. (51) When calculated, the repayment periods were very long. Although the average contract term was 28 years 4 months, one contract ran for 46 years 4 months, another for 42 years, and 15 for more than 35 years. (52)

Another clause misused by Universal Builders stated that buyers could not make any improvements without the seller's permission. While this clause is included in contracts to forestall improvements the buyer cannot afford and resulting mechanics liens, in this case it led to high improvement costs for the buyer. Many buyers were refused permission to make improvements until they agreed to employ Douglas Lumber Company which Universal's subsidiary land companies happened to own. (53) With all competition eliminated, this company could charge what it considered reasonable. Given the profit margins acceptable to Universal Builders, it is understandable that the prices charged were high.

After making improvements the buyer was subject to increased housing costs; for Universal's contracts provided that if a land company increased its mortgage, the buyer would assume the mortgage and be bound by its terms. Several homes were reappraised after improvements were made; and Universal received new mortgages known as 'recast loans,' which buyers had to repay. (54)

As in Lawndale, contract buyers were trapped in their Englewood homes once the down payment was made and installment payments begun. Only by forfeiting their entire investments could buyers cancel the contract before the last payment was made, because transfer of the buyer's rights could only occur with the seller's permission. Even though Englewood was a stable community in which property values were rising and new buyers were easily found, the contract buyer's fate was in the hands of the contract sellers. Frequently sellers promised mortgages in "about five years," (55) that would have given the buyer control of the property, but never lived up to these promises. In 1968 most purchasers who had
not paid off their debt in cash or relinquished the property remained subservient to the contract sellers.

The issue of racial discrimination is only of secondary importance. Because of a limited housing supply and restricted credit, consumers considered poor credit risks -- in this case blacks -- were forced to pay extraordinarily high prices for property they did not control. Since data are not readily available on contract sales of comparable housing to whites in Chicago, (56) the contract terms for this group cannot be presented here. Yet, a cogent argument showing economic discrimination can be made. Even the contract buyers' lawyers when presenting their cases before the Federal Court, according to one judge, formed a case of "exploitation for profit, and not racial discrimination" (57) as they had intended.

C. Pickets and Payment Strikes

Whether racial or economic discrimination prompted the high prices charged by contract sellers was of little concern, when the contract buyers tried to renegotiate contracts. Because contract buyers had not renegotiated more than the fifty contracts held by one seller as the result of talks and pickets, they decided to change their tactics in the fall of 1968. The group had been strengthened by members' active participation in the pickets and felt prepared in December, 1968 to begin a payment strike. Both West and South Side buyers joined in the strike which received favorable publicity and support within the Chicago area.

Contract sellers unsympathetic to the buyers' demands formed the Real Estate Investors Association to oppose CBL. Complaining that taxes, insurance, and their mortgages still had to be paid, contract sellers began to consider the inexpensive and rapid eviction process used for tenants and contract buyers. Suddenly the ghetto real estate was viewed as a valuable investment that contract sellers wanted to protect.
In the first month of the strike, 327 families withheld from South and West Side sellers payments amounting to $63,000. These funds deposited in the form of money orders in the Contract Buyers League office grew rapidly as more buyers joined the strike. Within three months 595 families withheld approximately a quarter of a million dollars; and the sellers' anguish increased.

More than these installment payments to the contract sellers were lost. In Lawndale the community lost as well. Frustrated buyers began to view the holdout as a means of breaking the contractual agreement without losing their entire investments. Instead of depositing their monthly payments with CBL where the money was available to the buyers in case immediate payment was required, some buyers kept the funds themselves. To their own payments were added the rents of the two- and three-flat dwellings, whenever renters agreed to join the strike.

During the first payment strike, which lasted five months, this was not a problem, but during the second holdout begun in July, 1969, some buyers collected several months' rent and moved away. Leaving behind buildings for which tenants could not easily be found, and on which sellers were no longer willing to pay mortgages, taxes, and insurance, these contract buyers in effect accelerated abandonment and Lawndale's decay.
CHAPTER IV
THE START OF LEGAL ACTION

A. The Eviction Process

When faced with opposition the contract sellers of Lawndale did not at first retaliate. Some of their tenant-buyers had walked away from buildings leaving these sellers to rent and manage their own declining properties. Even fire insurance paid by buyers could not be collected by the sellers who were named as beneficiaries; for when possible, departing contract buyers arranged to save these buildings from the fires that often destroyed vacant dwellings in Lawndale.

Universal's officials were more offended than West Side sellers that buyers used illegal payment strikes, and they started eviction procedures as soon as CBL initiated the second strike. Thus began a series of battles testing the legality of Illinois' Forcible Entry and Detainer Act, which grants summary eviction of trespassers, squatters, tenants and contract buyers. Buyers were not only evicted quickly like residents with few rights, but also, given no opportunity to protect their interests. According to this law, contract buyers were not allowed to defend themselves in court, unless they sought to prove that they had actually made all payments and were begin evicted unjustly. No other defenses, such as unconscionability of the realty contract, could be presented in court. A buyer's only recourse was to appeal the court's decision within five days. In order to do this, however, a large appeal bond had to be posted consisting of more than a year's payments.

Since the low-income consumer who utilizes land installment contracts was usually unable to obtain cash for a large appeal bond,
especially within such a brief period of time, he was denied protection by the law. Again the land installment contract proved to be an inequitable agreement allowing full protection of the seller and very little protection for the buyer. In questioning the constitutionality of the eviction law the contract buyer asserted the consumer's right to seek relief from unfair contract terms to which he had of necessity agreed.

Even with the strength of numerous buyers, their supporters, and favorable public opinion, the Contract Buyers League hesitated to challenge this law; and many South Side members and a few West Side families participating in the payment strike were evicted without making appeals. At first the League successfully thwarted Universal Builders' attempts to evict buyers by simply refusing to vacate property and promptly reinstating in their homes any members removed by the Cook County Sheriff and his men. As in the case of the Moss family discussed at the beginning of this paper, CBL's members and supporters uncovered Sheriff Joseph Wood's plans and hastened to homes where evictions were to occur in time to block the Sheriff's entrance or return to the homes furniture and possessions removed by the Sheriff's men. In each case the Sheriff perfunctorily cited the buyer for criminal trespassing and departed without protest. While most newspapers and radio stations lamented contract sellers' threats to remove over 1,000 families from their over-priced homes, the contract buyers continued their game of police watching with the Sheriff's help. Even Mayor Richard Daley was amiable to the buyers. Entering the act he attempted to mediate negotiations between CBL and both the South and West Side sellers, but was unable to arrange terms acceptable to the parties.

The game did not last long. Pressured by Universal Builders which sued Woods for discontinuing evictions, the Sheriff began to successfully evict buyers; and the League began to realize that only in the Illinois State court case, Rosewood Corporation versus Chester and Julia Fisher, did they have hope of changing the law and stopping evictions.
The decision to take this case to court caused much conflict among the contract buyers. First of all, many CBL members did not support the second payment strike which led to the evictions. Instead these buyers favored devoting all efforts to supporting two class action cases in the Federal Court. These lawsuits were brought by the buyers against the contract sellers. Lawyers who had volunteered their services to the League in order to press these two Federal cases believed it would be easier to prove that the contracts' terms were unconscionable in the two Federal cases directly concerned with the problem than in numerous individual eviction cases where the issue of unconscionability was only secondary. At the same time, CBL members hesitated to use money from installment payments held by the League to post costly appeal bonds. Not enough money was available to post bonds for all members involved in the strike, and the organization did not want to jeopardize the position of one member in favor of another. Although $350,000 was eventually pledged to a bond fund by various individuals, organizations, and Jesuits across the country, CBL decided to appeal only one eviction case, that involving the Fishers; and a bond was posted using funds donated by one devoted supporter.

Out of Rosewood versus Fisher came a ruling in 1970 allowing defendants to present their reasons for discontinuing payments. The low-income consumer was further aided by the elimination of appeal bonds required when questioning a court's original eviction decision. Applied retroactively, this change enabled all those contract purchasers who had not appealed evictions to retry their cases. Yet, the prospect of winning eviction cases was of little interest to the Contract Buyers League. Fisher had been able to remain in his home for four years without making payments while Rosewood Corporation, a subsidiary of Universal Builders, paid taxes, insurance and the underlying mortgage, but no permanent solution had been found. The Illinois State Court made no decision on the unconscionability of the contract terms; and Rosewood
appealed for another decision on the eviction insisting that the terms were reasonable. The Fishers still faced eviction or acceptance of the land installment contract's terms. If the contract buyers were to renegotiate their contracts and be reimbursed for over-payments, another means of attacking the contract sellers would have to be used.

B. Federal Court Cases

Chicago's black contract buyers did not wait to be taken to court by sellers before demanding their rights as housing consumers from the judicial system. As soon as the decision to conduct the first payment strike was made, the Contract Buyers League initiated legal action against the contract sellers. In this way the League attempted to prove its willingness to work within established systems for change as well as against institutionalized business practices.

Filed at first as one case before United States District Court Judge Hubert L. Will, the contract buyers' legal action was eventually divided into two cases and assigned to other judges. The case involving new homes on the South Side, Sidney Clark versus Universal Builders, was tried before Judge Sam Perry in 1972. At the time of this writing the other case involving sales of old homes on Chicago's West Side has not been brought to trial. The case, known as Charles Baker versus F and F Investment, implicated about seventy realtors, assignees, and financial institutions.

The Contract Buyers League did not attempt to change the characteristic use of land installment contracts for the good of society, yet its protests may affect far more than Chicago's 3,000 black buyers. This organization was primarily concerned with renegotiating the contracts of its members and participants in the class actions brought against contract sellers in the Federal Courts. Yet, CBL chose a method of protest that benefited other low-income housing consumers.
forced to use these contracts. By challenging the legality of their own land contracts, black buyers began a process redefining the low-incomer's rights in real estate transactions. For several reasons the League sought reconciliation through the lengthy judicial process instead of settling directly with realtors, and thus not affecting other land contract sales. Most importantly, many buyers feared being evicted from the homes they had worked so long to purchase.

During the second payment strike dissension developed among the contract buyers over the form of protest to be used and about thirty South Side buyers left the organization. Although most CBL members preferred working within the legal system, the splinter group insisted that payment strikes were the only effective means of forcing sellers to comply to revised contract terms. During the first strike West Side sellers had acceded to changing several contracts. As soon as payments were resumed, however, the sellers could more easily meet their own financial responsibilities such as payment of mortgages and were no longer concerned with the buyers' demands. Only when the second strike began were numerous renegotiations made again. With this strike came evictions and fear among the members that its continuance would cause great losses to participating families. Fearful that evictions would shatter the organization's public and internal image, the leaders decided to discontinue the strike. They did not want the League to be known as the cause of hardship for its members; nor did they wish to lessen the group's strength by using tactics that alienated most members.

Another factor also influenced CBL's decision to rely on legal action. Responding to protests by Universal Builders and the West Side realtors, Judge Will, then presiding over the cases, declared that all contract buyers continuing with the payment strike would be excluded from the plaintiff classes in the lawsuits. Since most buyers had at that time withheld no more than $2,000 each and they could expect $8,000 to $10,000 savings if the Federal Court decided in their favor, most buyers
preferred working within the legal system to continuing the payment strike. (59) Little did they realize how long the legal process would take, or how difficult it would be to prove that their distress over monthly installment payments was the result of exploitation in the housing market place.

C. An Indictment of Financial Institutions

The contract buyers brought suit against other participants in the housing market system than contract sellers. They named several banks, savings and loan companies, and federal agencies as defendants on the grounds that by refusing credit to black purchasers these establishments played a major role in creating the artificially restricted housing market that encouraged contract buying.

To understand the black consumer's poor bargaining position, the effect of financial institutions on the availability of credit must be considered. Inequities developed not only because society institutionalized racial and economic discrimination which restricted blacks' housing choices and realtors extracted the highest possible prices in a tight market, but also, because financial institutions refused to serve black consumers thus limiting their ability to purchase. Society cannot easily be punished for its wrongs, but the other perpetrators can be and were condemned by the contract buyers. Although financial institutions were not included in the litigation involving Universal Builders, both Federal loan guaranteeing agencies and conventional financing establishments were named as defendants in the case Baker versus F and F Investment.

Among the culprits restricting credit for blacks and low-income consumers were the Federal Housing Administration and the Veterans Administration. Designed to stimulate housing development and home ownership, FHA and VA catered only to the needs of middle-class, usually white families in home ownership programs. This action was
justified by the need to reduce FHA losses from foreclosures. Assuming that low-income or black people would have a high default rate, Federal agencies set both minimum credit standards and guidelines for determining a buyer's ability to make payments. Those who did not meet these standards were not ignored completely. The government certainly provided adequate shelter for low-income people but only in the form of rental housing. Under low-rent programs FHA built thousands of subsidized units, and public housing proliferated. Yet, few low-income people moved into the expanding suburbs where their middle-income contemporaries comfortably settled with the Federal government's aid. Federal programs established two distinct classes, each living in housing inaccessible to the other. Just as low-income people were excluded from home ownership by their inability to meet minimum credit standards, higher income people were not admitted to some subsidized rental housing because their incomes were too high. For many years there was little economic integration within housing projects; and only the poor occupied public housing.

Middle-income people did not complain when they were not allowed in public housing, but accepted home ownership. Occasionally dwelling units were not as soundly constructed as owners would have liked showing that FHA did not totally control the quality of housing produced; but generally these programs were popular and the homes acceptable. The poor, however, still aspired to home ownership and found subsidized rental housing a poor substitute.

The Federal Housing Administration was more interested in its financial solvency than the low-income consumer's plight. Although created to decrease lending institutions' risk of investment and thus stimulate housing development, before 1968 FHA had several policies that insured its profitability by limiting its own risk and consequently its effectiveness. "Redlining" was a common practice by FHA to protect its interests. Under this policy dwellings in certain areas of cities such
as Chicago were ineligible for FHA guaranteed loans. Rationalizing this policy on economic grounds FHA refused to expend money in usually black neighborhoods where the agency claimed that the economic life of buildings was insufficient to warrant further investment. As soon as an area began to change racially, dwelling units were considered economically unsound even by this government agency which was designed to stabilize and increase the standard housing stock. Economic soundness and credit ratings were determined by race. This policy corresponded well to earlier FHA criteria for urban development. As one FHA underwriting manual stated, "If a neighborhood is to continue to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial groups." (60) FHA encouraged restrictive covenants that limited the sale of property in an area to certain racially homogenous groups while it excluded transitional communities from ownership programs because they were supposedly doomed to instability.

Blacks were, then, excluded from neighborhoods receiving Federally guaranteed home loans and unable to obtain this financial backing in the "economically unsound" areas in which they lived. Yet, this was not the only negative influence FHA had on neighborhoods considered poor investment risks. Because the protection of Federal guarantees were not available, most conventional lending institutions refused to make loans in these areas to people with low credit ratings. While readily granting mortgages to contract sellers operating in Lawndale, and construction loans to developers in Englewood, most lenders labelled the areas as economically unsound. Their attitude toward investment opportunities in the areas was based on the credit ratings of black consumers, ratings obtained from collection records for time purchases such as automobiles and household furnishings. These institutions conjectured that the default rate on mortgage payments would be similarly high.

As when purchasing consumer durables, low-income, often black
consumers were captive in a housing market devoid of significant free choice where prices were high and quality low. In the consumption of housing even more than the purchase of durables, the low-income consumer was unjustly charged. Because housing is often a one-time investment requiring a substantial expenditure over a long period of time, overcharging 40 percent on a $12,000 house is significantly more oppressive than inflating the cost of a $25 watch by 300 percent. The overcharge usually occurs, however, because this consumer group is assumed to be unwilling or at least unable to make payments. Prices spiral and responsibilities increase as sellers impose many conditions on sales. Demand is satisfied, but only at great expense to the consumer. Behind this situation stand financial institutions complaining of risky investments in economically unsound areas, while collecting monthly mortgage payments from contract sellers with lucrative businesses there.

Even the government disregarded consumers residing in these areas, and in the name of good business practice refused them credit. But, contract sellers were not negligent. From this supposedly dessicated economic area contract sellers drained profits higher than those possible in FHA's stable neighborhoods and more detrimental to the financial security of the consumers.

The low-income consumer was denied protection available to higher income consumers that insure the value of their housing purchases. As John Mixon asserts in his study of land installment sales in Houston, Texas, the contract buyer is not protected by a system of favorable institutions that control his purchasing activities. Unlike the middle-income consumer whose interests are protected by financial intermediaries securing their investments, the low-income consumer usually deals directly with the seller who provides both goods and credit. The checks on sellers afforded by FHA, mortgage lenders and the entire system of common law and statutory protection, which has been developed over the years to define mortgage transactions, are non-existent for the contract
In the case of land installment sales, the contract purchaser in Chicago was not aware of threats to his investment. Title searches, usually required by lenders before mortgages are approved, were not made for contract sales. Unaware of possible claims on the seller's property, the contract buyer accepted the seller's assertion that he could convey an uncontested title. The contract seller, who had up to twenty-five years to collect payments before transferring the deed, was not concerned that the buyer might never have clear ownership of the property. Similarly, the property's true value was seldom determined. Middle-class buyers are assured against over payment by the intervention of moneylenders who refuse to grant mortgages for amounts far above a dwelling's fair market value. Although the appraisal required to determine market value is an added transactional cost for the middle-income consumer, it is considerably lower than over-charges made possible when purchase prices are inflated. The low-income consumer, however, unwittingly accepts the seller's price as correct, and as in the case of Chicago's contract buyers, often pays unreasonable amounts for housing.

Instead of being protected against exploitative transactions, the contract buyer is labelled a poor credit risk, excluded from sections of the housing market, and forced to pay exhorbitant prices for housing and credit because he lacks sophistication in handling real estate. Yet, home ownership is extended to an economic class to which it is otherwise denied. The question arises; in eliminating or drastically reforming land contract purchases, is the low-income buyer excluded from the housing market?

In Chicago this was a major concern of the Contract Buyers League even before the formal protests began. For the buyers who eventually made their last payments and received title to a home, the financing mechanism was a useful though expensive means of attaining a
dream. Only those purchasers paying high insurance rates, taxes and installments found land contracts to be an evil without benefits. The return to rental housing was an insignificant change for the overburdened buyers who would probably never own their homes. The advantages and disadvantages of contract buying were weighed; for although the Contract Buyers League was concerned mainly with renegotiating purchase prices for black buyers in Chicago and not with changing the institution of land contract sales, the two objectives were inevitably interrelated. As the contract buyers realized in 1968, the most immediate problem following the sellers' agreement to refinance housing would be locating mortgage funds. Unless CBL changed financial institutions' attitudes that encouraged land contract sales for low-income consumers, this achievement would be impossible.

One of the primary goals of CBL was to channel mortgage money into predominantly black areas of Chicago. Jack Macnamara and several contract buyers set out to obtain pledges for home loans from several savings and loan associations and banks in Chicago soon after the League was formed. As the Federal case, Baker versus F and F Investment, progressed and lending institutions were included among the defendants, this effort was greatly facilitated. Seeking to avoid the litigation, several lending establishments volunteered their services and made large commitments for loans in the area. Just before CBL became active FHA changed its policies, and no longer practiced redlining. Since 1968 both FHA and conventional mortgages have been used to purchase or refinance homes in both Lawndale and Englewood.

In Chicago, then, the low-income consumer was not denied access to home ownership when the use of land installment contracts decreased as a result of CBL's actions. Where once only contract sellers operated absorbing allegedly high risks and receiving large profits are now conventional lenders and Federal loan guaranteeing agencies. For the fortunate few who renegotiated contracts or now purchase homes on
mortgage in Chicago's black neighborhoods, the Contract Buyers League's activities have been beneficial. The buyer now receives not only greater security as title holder of his property, but also, institutionalized protection against bad investments that was previously available only to middle-class consumers. Yet, CBL has not yet attained its goal. Although approximately 150 contracts on the West Side have been renegotiated out of court decreasing the total cost of housing for these families by $1,750,000 \(^{(62)}\), this is only a small fraction of all land contracts in Lawndale; and no contracts involving new homes on the South Side have been changed. The contract buyers' efforts continue.
CHAPTER V

PROTEST THROUGH THE LEGAL SYSTEM

A. Contract Buyers' Allegations

By virtue of pleading, picketing, and striking 150 families' contracts were changed, but thousands of other black contract buyers were not affected by the League's actions. These buyers' only apparent recourse was the legal system. Abandoning all other forms of protest as no longer effective, the contract buyers devoted all of their efforts to winning two lawsuits. In this system where the contract seller was well protected by common and statutory laws defining consumer-purchaser relationships, the contract buyer hoped to find solace and compensation for society's inequities. Yet, if society slowly acknowledges changes in balances of social and economic power, even more slowly the law follows with piecemeal adaptations of legislation and judicial decisions. Many Americans were awakening to the plight of the poor, the black, and the abused consumer, but were unwilling to ameliorate conditions. Welfare services have been provided but are condemned as extravagant gifts to the lazy for which the over-burdened taxpayer must pay; open housing has been approved as long as blacks locate in other people's neighborhoods; and the need for consumer protection has been accepted as long as no restrictions are placed on business dealings. When the Contract Buyers League opposed realtors and land developers operating lucrative businesses, it initiated a process of change that legal action did not hasten. Long established and profitable business practices were not easily affected by black consumers or their public spirited lawyers.
That the judicial system did not react quickly or positively to the Contract Buyers League's action is not unexpected, for the buyers requested a new interpretation of racial discrimination. Hitherto, the courts held that racial discrimination occurred only when a seller refused to sell to a potential purchaser because of his race. \(^{63}\) While these sellers who caused the limited availability of housing were condemned, realtors who exploited the problem by charging the highest prices that the artificially restricted supply would allow were accepted as shrewd businessmen conducting legitimate enterprises. No matter how lucrative a man's business and how exploited his customers, a businessman selling to blacks was considered their benefactor.

In both Federal Court cases brought against contract sellers, buyers questioned the right of businessmen to secure profits wherever they are available. The buyers held that contract sellers were able to charge excessive prices and earn large profits only because they exploited the dual housing market. Although the sellers did not themselves cause the limited supply of housing and in fact increased this supply by selling to blacks, they charged excessive prices that could not be obtained for comparable housing in other sectors of the market. Because realtors sold to blacks at prices far above those whites paid, they were guilty of racial discrimination.

The traditional reading of Section 1982 of the Civil Rights Act of 1866, which permits realtors to grow wealthy at the expense of blacks, was rejected by lawyers for the contract buyers. As interpreted by them the law would for the first time insure that a dollar in the hands of blacks be equal to a dollar in the hands of whites. This right is denied when as a consequence of racial discrimination blacks are confined to a small section of the housing market and then forced by businessmen to pay the highest prices that market would bear.

Of the two lawsuits brought by the contract buyers only one, Clark versus Universal Builders, has as yet been tried. In this case lawyers
for the contract buyers argued that Universal Builders and its subsidiaries used land installment contracts to extract excessive prices from black consumers. Even when middle-income blacks who composed a large portion of the South Side community were able to make sizeable down payments and regular monthly installments without difficulty, they were compelled to purchase on contract or look elsewhere in the restricted market for housing. In this instance, the inflated cost of housing purchased on contract did not result because high prices were needed to offset the risk of selling to low-income consumers. Land developers simply believed that the high prices and equally large profits were a reasonable return on their investments.

Only by using land installment contracts, however, could sellers reap these profits. If traditional mortgages had been sought by black purchasers, this income would have ceased, for buyers would have learned the fair market values of dwellings. As I showed earlier, financial institutions usually require appraisals of property before mortgages are granted, and refuse to provide loans of amounts far in excess of a dwelling's fair market value. Because no financial intermediaries were involved in Chicago's contract sales, the unsuspecting buyer usually accepted the contract seller's sales price as reasonable without checking the dwelling's value. The contract buyers of Englewood claimed that Universal Builders and several land development companies misused land installment contracts to charge exorbitant prices, extract large profits, and require unfair contract provisions in an artificially restricted market based on race instead of purchasing power.

B. Contract Sellers' Response

In response to the contract buyers' allegations, the sellers of new homes on Chicago's South Side contended that a businessman's profits should not be restricted and that no existing laws impose upper limits on
profits. The sellers insisted that even if buyers proved that they were over-charged by the sellers, this proof would not show racial discrimination, which according to the sellers, resulted only when a producer refused to deal with blacks.

Universal Builders and an associated company did sell to both black and white consumers, although most sales to whites were made in Deerfield, Illinois just outside Chicago and usually involved traditional mortgages. Several whites also purchased homes in Englewood before the area's racial transition was complete; but information on these sales was withheld by Universal Builders on the grounds that records were not kept according to race.

Universal sold to whites in Deerfield on a completely different basis than they sold to blacks in Englewood. In Clark versus Universal Builders the contract buyers asserted that although construction materials and locational characteristics of homes in the suburban community differed from those in Chicago's South Side homes, the housing was comparable and could be used to show racial discrimination in pricing. The buyers claimed that racial discrimination caused housing prices in Deerfield to be much lower than those in Englewood.

In presenting a case for the contract buyers lawyers first attempted to show that Universal's homes in Englewood were not better than its homes in Deerfield, and should not have been sold at higher prices. As an architect who evaluated the homes in the two areas stated, the residents of Deerfield received more housing for their dollars than did buyers on the South Side. (64) According to testimony by architects, economists, and appraisers, the high prices of South Side homes was not justified by the materials or construction. With leaky roofs, unsound foundations, and cracked sidewalks, these homes were not worth the prices. The cost of land in Chicago, another factor cited by sellers as important, did not raise the price of dwellings significantly above the cost of homes in Deerfield, for the ratio of land to building costs was about the same in 6 9
both areas. On the South Side land costs constituted approximately 21 percent of housing costs while in Deerfield this figure was 17 percent. (65)

The comparison of Deerfield and Englewood homes also showed that prices and the ratio of profit to construction costs were much greater on the South Side than in Deerfield. As seen in Table 2, houses with the same construction costs in both areas were higher priced on the South Side; houses with the same prices had higher construction costs in Deerfield. (66) Although the cost of construction may vary over time and with location and type of residential construction permitting prices to vary, the ratio of profit to construction costs should not differ greatly. Yet, for Deerfield homes this ratio was constantly lower than that of Englewood dwellings. Based on calculations by a certified public accountant using Universal's financial statements, the average profit on the South Side was roughly twice that in Deerfield. (67) Using similar models of homes, the figures in Tables 3 and 4 were calculated showing the differences in profits made in the two communities. Since neither cost nor quality of construction justified the variation in prices of homes in the two areas, the contract buyers claimed that differences were due to racial discrimination.

Defendants refuted the buyers' claim on several grounds. When acquired, the Deerfield property had poor highway access and public transportation, was located so near a railroad that it was undesirable for families with small children, and was served only by one over-crowded high school. In 1956 and 1957, the land developers were also operating under pressures to terminate the Deerfield project as quickly as possible. Because the housing market there was very competitive, it was difficult to attract buyers. Sales promotion of the homes was difficult, because people could not easily view the property. Each weekend when most people wanted to see the homes the Milwaukee Railroad packed trains across the single road leading to the development. (68)
<table>
<thead>
<tr>
<th></th>
<th>Deerfield (Broderick-Dart Home)*</th>
<th>South Side (Reed Home)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per Square Foot</td>
<td>$8.34</td>
<td>$7.95</td>
</tr>
<tr>
<td>Gross Profit per Square Foot</td>
<td>$2.19</td>
<td>$3.99</td>
</tr>
<tr>
<td>Ratio of Gross Profit to Cost</td>
<td>26%</td>
<td>50%</td>
</tr>
</tbody>
</table>

* The Broderick-Dart Home and the Reed Home are similar models both built by subsidiaries of Universal Builders, Inc.

<table>
<thead>
<tr>
<th></th>
<th>Deerfield</th>
<th>Deerfield</th>
<th>South Side</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Universal Construction Company*</td>
<td>Deerfield Homes *</td>
<td></td>
</tr>
<tr>
<td>Average Sales Price</td>
<td>$22,644.60</td>
<td>$20,585.34</td>
<td>$25,172.53</td>
</tr>
<tr>
<td>Average Direct Cost</td>
<td>18,779.45</td>
<td>16,953.39</td>
<td>18,246.14</td>
</tr>
<tr>
<td>Average Gross Profit</td>
<td>3,865.15</td>
<td>3,631.95</td>
<td>6,926.39</td>
</tr>
<tr>
<td>Average ratio of Gross Profit to Direct Costs</td>
<td>20.58%</td>
<td>21.42%</td>
<td>37.96%</td>
</tr>
</tbody>
</table>

1 Direct costs -- land plus building costs

2 Gross profit -- total sales price minus total direct costs

* Subsidiaries of Universal Builders, Inc.

Table 4

Deerfield - South Side Net Profit Comparison

<table>
<thead>
<tr>
<th></th>
<th>Deerfield</th>
<th>South Side</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1957</td>
<td>1958</td>
</tr>
<tr>
<td>Average Net Profit* Per Home</td>
<td>$2,267</td>
<td>$2,498</td>
</tr>
<tr>
<td>Ratio of Average Net Profit to Average Sales Price</td>
<td>10.7%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

* Net profit -- total sales price minus total direct costs and overhead, which consists of officer's salaries, office expenses, advertising, and miscellaneous expenses.

Under these adverse conditions it is understandable that profits in Deerfield were low and that Universal Builders looked forward to terminating its operations there and reviving the company on Chicago's booming South Side. What the developers neglected to mention was the size of their profits in relation to other land developers in Chicago's white neighborhoods and even in Englewood. Surf Builders, a development company selling homes to blacks in Englewood, for instance, charged much lower prices than Universal Builders for very similar homes. This organization sold only 15 to 20 percent of its homes on contract, while the remainder were financed with FHA or conventional mortgages that became increasingly available to blacks during the 1960s. Both Surf and Universal Builders operated in Englewood during this time, but Universal insisted on financing homes with installment contracts. The reason for this insistence can be seen in the profits made by the two companies. According to an officer and shareholder in Surf Builders, most of Surf's dwellings yielded a profit of 15 to 19 percent. (69) This was accepted by him as a reasonable profit of which Surf's shareholders approved. In contrast, Universal Builders received an average profit of 38 percent. (70) Appraisers familiar with Chicago's residential real estate market showed that this return was also greater than the profit received for comparable housing in Chicago's white neighborhoods.

Despite all evidence to the contrary, contract sellers maintained their attitude of misjudged benefactors condemned for serving an oppressed race. As lawyers for the buyers stated, "even the worst of unethical businessmen can claim that he dealt with his customers, even if unfairly." (71) This argument was the only defense for sellers who claimed that they sold only to blacks in Chicago and never "entered into any arrangements with whites to sell homes at prices lower or on terms more favorable than charged the plaintiffs (black buyers)." (72) Sales in Deerfield were not comparable they argued; sales in Chicago were irrelevant. Unless the same seller sold to blacks and whites at different prices the defendants declared that no racial discrimination occurred.
C. Reaction of the Courts

At the outset of the case Judge Hubert Will, then presiding judge, upheld the contract buyers' position. He stated:

Defendants present the discredited claim that it is necessarily right for a businessman to secure profit wherever profit is available, arguing specifically with respect to this case that they did not create the system of "de facto" segregation which was the condition for the alleged discriminatory profit. But the law in the United States has grown to define certain economic bounds and ethical limits of business enterprise... So we are hearing an old and obsolete lament. For it is now understood that... as interpreted in Jones v. Alfred H. Mayer Co. there can not in this country be profits based on the color of a man's skin. (73)

Unfortunately, Judge Will did not long remain on the case. Believing that very different circumstances were connected with the sale of old homes on Chicago's West Side and new homes on the South Side, he divided the original case into two cases, Clark versus Universal Builders and Baker versus F and F Investment. Judge Will then decided not to preside over either case. He explained that he would be charged by buyers as favoring one group over the other, if having already given a favorable opinion of the problem he accepted one case instead of the other.

In Clark versus Universal Builders Judge Sam Perry, the presiding judge, did not share Judge Will's opinion of racially discriminatory pricing, but fully upheld contract sellers' view that any profits are reasonable. Judge Perry in effect over-ruled Judge Will's opinion that the contract buyers had a legitimate complaint; and after hearing only the buyers' side of the case, he gave a directed decision in favor of Universal Builders and its subsidiaries.

Judge Perry held that no evidence of racial discrimination had been presented. Taking a very narrow but traditional view of the civil rights
law, Judge Perry stated that "nowhere in the six weeks' trial is there one scintilla of evidence that the defendants or any of their agents ever refused to sell to a white person or a black or a non-white person any house or refused to sell to one or the other at a higher or lower price." (74) By insisting that violations of the civil rights law occur only when one seller refuses to sell to blacks at the same price charged by him to whites, Judge Perry directly contradicted Judge Will who held that a developer selling only to blacks but at prices above fair market value is guilty of racial discrimination. Universal Builders and Judge Perry contended that if property is sold to a black at a price demonstrated to be above the usual market price, there can be no discrimination unless the same seller actually sells to whites at a lower price. (75) This position had already been contradicted by Judge Will, who said, "it should be clear that in law this result would be obnoxious. In logic, it is ridiculous. It would mean that the 1866 Civil Rights Act, which was created to be an instrument for the abolition of discrimination, allows an injustice so long as it is visited exclusively on Negroes." (76)

For Judge Perry this interpretation of the law was not obviously correct, and throughout the trial he rejected all evidence supporting the case of discriminatory pricing. Judge Perry did not accept the sales prices of Deerfield homes as evidence. Holding that the suburban community and Englewood were greatly affected by geographical location, he concluded that the areas did not have comparable housing and that sales made to whites in Deerfield, though lower than those to blacks in Chicago, did not show discrimination.

Even Judge Perry acknowledged several times during the trial that Universal Builders and associated land companies charged blacks prices far above prices for comparable housing in the white submarket. (77) As he stated, "the counsel for the plaintiff's have not painted a pretty picture of the defendants, but that picture is a picture of exploitation for profit; and not racial discrimination." (78) For Judge Perry that profit was
justified by contract sellers' risks of liability for millions of dollars on outstanding mortgages held by financial institutions. Referring to defaults by buyers and possible economic depressions as deterrents to successful operation of Universal's business, Judge Perry said that "so far, the profits are paper profits, and at an extreme depression they (Universal and its subsidiaries) could face bankruptcy." (79) That many contract buyers were already having financial difficulties because of inflated housing prices was not mentioned; and Universal Builders was hailed for taking the risk of failure common to any business regardless of its profit margin.

Not content to merely confirm the right of businessmen to make profits, Judge Perry went a step further and attempted to preclude challenges to their rights. As he stated, "there has never been another case, except for the other pending companion case (Baker versus F and F Investment), founded upon the theory that this case is founded upon. It is a completely new theory, and it is untested, and now is the time to dispose of it at the threshold." (80) He disposed of it by violating the contract buyers' rights to seek judicial redress. During the trial the defendants filed a counterclaim against the buyers charging that certain buyers made defamatory statements about the sellers, interfered with court orders by preventing evictions, interrupted the course of business activity with payment strikes, and destroyed the seller's property in acts of arson. After giving a directed decision, Judge Perry stipulated that this counterclaim would be dismissed only if the buyers did not appeal the decision. Another condition was made by the judge. Perry stated:

I am taking the matter of apportioning costs under advisement. If there is no appeal, I expect to order each of the parties to bear their own respective costs. If there is an appeal, I will enter the order as I see fit, in accordance with the law. (81)

When contract buyers and their lawyers defied Judge Perry and appealed the case, he required that they post a bond of $25,000. The
contract buyers were, however, determined to continue the fight. One more cost, one more delay in the administering of justice did not thwart their efforts.
CONCLUSION

The Contract Buyers League is nearly defunct. The thousands of buyers represented as plaintiffs in two Federal Court cases, the hundreds of members that regularly attended CBL meetings, the many families that participated in the payment strike, and the 150 buyers who faced eviction from their homes no longer actively oppose the misuse of land installment contracts. Only Charles Baker and Clyde Ross, former leaders of CBL, along with part-time workers remain in the Lawndale office, once the center of the League's activities. Recently begun projects to rehabilitate two city blocks of West Side neighborhoods have received support from some League members who again actively participate in the organization. But, unlike the community improvement programs so successful in 1968, the recent projects involve few residents. Of course, other community organizations have grown up on both the South and West Sides, but the groups are distinct from the Contract Buyers League. Yet, attempts to renegotiate contracts slowly continue. Far from Lawndale or Englewood in the heart of Chicago's commercial district Jack Macnamara and several Gamaliel employees telephone realtors, talk to bankers, and occasionally advise a contract buyer, as the process of renegotiating contracts is carried on out of court.

As hopes for change waned, activities by the contract buyers decreased, and solutions to most of the issues around which the League emerged were sought in court. In the name of the buyers several lawyers provided without cost by Chicago law firms continue to challenge the misuse of land installment contracts, but their efforts have thus far brought no direct remuneration for black buyers. Some achievements have been made through the legal system. No longer may land contracts
contain clauses forbidding their recordation; contract buyers now have the right to state why they are not making payments before they can be evicted; and appeal bonds need not be posted before a buyer can contest an eviction decision. Attempts to force contract renegotiations and obtain reimbursements for over-charges have not been as successful. Although an appeal is now being requested, one Federal case, Clark versus Universal Builders, has been lost, and the pending case, Baker versus F and F Investment, will probably not be won.

The issue of discriminatory pricing remains a sensitive one. Some supporters like Judge Hubert Will uphold the black consumers' position, yet others resist efforts to modify the businessman's present rights. With many judges like Perry it may take many acts of protest to gain acknowledgement of discriminatory pricing and inequitable land contract terms. Only after several more years of lawsuits and appeals can the Contract Buyers League hope to obtain relief through the legal system. It is unlikely that either the South or West Side cases will be decided favorably for Chicago's black contract buyers in the next few years.

In the meantime contract buyers must continue to make payments on poor quality homes for many of which the fair market value was long ago paid and over-charges are now required. What then have members of the Contract Buyers League gained from their efforts? Several tangible benefits are evident. With the aid of CBL about 150 families in Lawndale have renegotiated their contracts out of court decreasing their total cost of housing by approximately $1,750,000, (82) eliminating oppressive contract terms, and securing a deed and full control over their properties. Financial institutions have made mortgage funds available for predominantly black neighborhoods, thus reducing black buyers' reliance on land installment contracts; and reputable insurance companies have started to serve both Lawndale and Englewood.

As a political organization the Contract Buyers League's influence on the black community was short lived. Because all efforts were devoted
to renegotiating land contracts, a goal that soon was undertaken through the legal system, the group had few issues around which to organize. As the buyers' role in the organization became that of a legal class demanding judicial reparation, satisfied buyers with renegotiated contracts, or discontented consumers seeking new homes and opportunities with the cash they withheld during payment strikes, they lost their enthusiasm for the organization. Few chances for continued work with CBL existed. Even field work for the lawsuits was not handled by blacks. Instead, Jack Macnamara and the Gamaliel Foundation hired white students to conduct surveys and gather information on land contracts for the Federal cases. Despite Charles Baker's and Clyde Ross' present attempts to reorganize Lawndale members around housing rehabilitation and other neighborhood programs, the League is no longer a viable organization. Yet the group did contribute to the black community's sense of cohesion for at least a short time and proved the community's ability to gather public support and initiate change.

That the Contract Buyers League could have used much more effective means to reform land installment contracts is unlikely. Discussions, pickets and payment strikes had only a limited usefulness before buyers had to resort to legal action or otherwise impose the hardship of evictions and financial losses on League members. Alternative methods of reforming contracts were then defined within a legal framework.

Now that two lawsuits in Federal Court are underway, lawyers and leaders of the contract buyers question the course legal action should have taken. Some lawyers believe that the payment strikes should have been continued and all efforts devoted to trying hundreds of eviction cases in the Illinois State Court. Once the precedence of preventing evictions and rescinding or changing land contracts was set in court for a few cases, these lawyers contend that all eviction cases against contract buyers would have been won; and land contracts with excessive sales prices or unreasonable terms would no longer have been considered legally binding.
The merits of this approach to renegotiating contracts for Chicago's black buyers is doubtful. As yet no decision has been made about the legality of land contracts in the single eviction case that buyers appealed. Like the Federal Court cases, the State Court case of Rosewood Corporation versus Fisher will probably continue for some time before the land contract that Chester Fisher signed is declared reasonable or illegal. If lawyers had pursued this process for each of more than 3500 buyers, the courts and the Contract Buyers League would have been in constant upheaval probably without effecting change.

The implications of the Contract Buyers League's activities transcend the few contract renegotiations made in Chicago. Because Chicago's contract buyers protested the misuse of land installment contracts, contract buyers around the nation benefited. First of all, the League's activities led to protests by other groups of buyers. Inspired by the League's success in revising at least some land contracts and mobilizing public support for further change, several organizations developed in Baltimore and other major cities. If Chicago's contract buyers eventually win the lawsuits, a new judicial attitude regulating land contracts may save millions of dollars for consumers now over-charged.

Legislative regulation of land installment contracts may also result from black buyers' protest. The Contract Buyers League did not concentrate on this method of changing land contracts because statutory laws cannot be applied retroactively and would not require renegotiation of existing contracts. Because of protests by a group of South Side buyers in 1966 and later by CBL, however, the Chicago Bar Association became aware of how badly the financing mechanism is used, and is now sponsoring a bill in the Illinois State Legislature. If adopted the Consumer Real Estate Protection Act will make land contracts a useful means of financing real estate.

Land installment contracts need not be insidious. With a few

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reforms they can be used more easily than traditional mortgages to extend credit to the low-income consumer and protect sellers against the risk of buyers' defaults. The most necessary change is to increase the buyer's control over his property as his investment increases. Sellers now hold the deed and control over the property until the final payment is made. If instead a deed is conveyed to the purchaser after one half of the principle is paid, the seller will retain control only until the buyer's reliability as a good credit risk is established and the seller's investment is no longer threatened.

Two aspects of land contracts have locked buyers into housing that no longer meets their needs, and have trapped many low-income consumers in declining neighborhoods. These constraints on the buyer's mobility are caused by the purchaser's inability to sell his interests without the seller's permission and the forfeiture of all payments as liquidated damages upon default. The first problem is eliminated when the deed is transferred. If damages are limited to 25 percent of the principle and the seller is required to refund all other payments exclusive of interest, the buyer is not forced to continue a bad investment; and the dishonest speculator is discouraged from entering the market to fleece and then evict purchasers. Other changes necessary to protect purchasers include controlling the interest rate, certifying the absence of building code violations, proving the seller's clear title to the property, and stating the seller's purchase price of a dwelling if it was acquired within two years of the contract sale.

More than changes in the use of land contracts may result because of black Chicagoans' protest, for the issue of economic discrimination was raised by contract buyers' legal action. Couched in terms of racial discrimination, the League's demand was for new regulations in the market system allowing greater protection for an economically disadvantaged class. In the case of the black housing purchasers, an artificially restricted housing supply created by racial discrimination caused
this economic disadvantage. Realizing that Federal District Court judges would be unwilling to alter America's economic system by increasing the low-income consumer's buying power, lawyers for the contract buyers did not emphasize that land contracts as now used are oppressive for both black and low-income housing consumers. Yet, all low-income consumers are affected by housing scarcity. Like black housing purchasers in Lawndale, they are caught in a restricted market where prices are high because few sellers wish to risk operating there; and the risk is increased because consumers pay unusually large amounts for goods the prices of which are increased by a premium to offset the seller's risk.

Even if the terms of land installment contracts were changed to protect the low-income consumer, this means of financing residential real estate can not alone destroy the market conditions that cause low-income consumers to pay high prices for low quality housing. Unless the stigma of risk is removed from selling homes to low-income buyers, home ownership for this group will always be extremely costly. The Federal Housing Administration has utilized various programs to stimulate the housing market for middle-income consumers by insuring lending institutions against losses. A similar program to alleviate the scarcity of credit and housing for low-income people is necessary too, for lenders and sellers are unwilling to accept the risks of selling to these consumers at normal market prices. As existing FHA loan-guarantee programs are terminated, the likelihood of obtaining Federal guarantees for low-income housing diminishes. Until alternative financing mechanisms are created, consumers like Chicago's black contract buyers will probably continue to use land installment contracts, not a pleasant prospect unless the contract terms are changed.
FOOTNOTES


2 Alma and Karl Taeuber, 28-30.


6 Two studies showing the effects of blacks' socioeconomic characteristics on segregation are Alma and Karl Taeuber, *Negroes in Cities*; and Anthony Pascal, *The Economics of Housing Segregation* (Santa Monica, Calif., The RAND Corp., 1965).

7 Pascal, 1.

8 Kain, 5.

9 Ibid., 10.


Duncan and Hauser, 203.

Studies of the effect of race on housing cost include John Kain, "Theories of Residential Location and Realities of Race," Mitchell Stengel, Racial Price Discrimination, and Anthony Pascal, The Economics of Housing Segregation.


Ibid.

Lawyers for the Contract Buyers League showed in Clark versus Universal Builders that in one instance a buyer with a $10,000 downpayment was unable to obtain a mortgage instead of a land contract.

The Contract Buyers League stated that most contract buyers paid 35 to 45 percent of their incomes for housing, an amount far above the recommended 25 percent guideline of the Federal Housing Act of 1968. See Contract Buyers League, Memorandum to the Honorable Hubert L. Will, November 14, 1969.


Ibid., 11.


Chicago Commission on Human Relations, "Selling and Buying Real Estate," 5.


Real Estate Investors Association, "Will All Chicago-Area Small Businessmen Be Subjected to This Same Shameful Harassment?" The New World (November, 1968) 9.

Ibid.

U.S. District Court Seventh Circuit, "Official Transcript," 5444.


Ibid., 203-206

Ibid., 205.
Although the clause in land installment contracts prohibiting their recordation was declared unlawful in Illinois in 1968, the law does not require that they be recorded and few of them are. Universal Builders admits that it sold homes to whites in Englewood during the 1950s, but information about the sales was destroyed after a legally permissible period. For information about these sales see U.S. District Court, "Official Transcript," 5454-5455.
In 1968 the Supreme Court held that a home builder's refusal to sell to a black violates Section 1982 to the Civil Rights Act of 1866. This ruling was given in the case, Jones v. Mayer, 392 U.S. 409 (1968).

79  Ibid., 5437.
80  Ibid., 5458-5459.
81  Ibid., 5458.
82  Contract Buyers League, "Summaries."
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