Redlining

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Toledoans Ask Inquiry Into Alleged Redlining

VF - Housing - Redlining

2 Firms Deny Mortgage-Loan Bias In Testimony Before Ohio House Panel

APR 3 1976 Blade

A Toledo interest group opposed to discriminatory mortgage-loan practices asked an Ohio House subcommittee here Friday to investigate two Toledo savings and loan associations, claiming they have refused to make home or rehabilitation loans in certain neighborhoods of the city.

Toledoans Against Redlining (TAR) contended in testimony before the Ohio House financial institution subcommittee that People's Savings and Loan Association and United Savings and Loan Association have redlined neighborhoods in the Old West End, North Toledo, East Toledo, and near South Toledo.

E. O. Knowles, People's Savings board chairman and president, and Charles Trauger, United Savings president, denied the group's claim.

During his testimony, Mr. Knowles held up 10 $1000 bills and challenged anyone to refute his statement. Blade

There were no takers.

Redlining is the practice of rejecting loan applications involving certain geographical areas or neighborhoods because of suspected or apparent decline in the quality of the physical structures, according to state Rep. John D. Thompson (D., Cleveland), subcommittee chairman. APR 3 1976

Mr. Thompson was the only member of the six-man subcommittee who showed up for the daylong hearing attended by about 100 persons at the Chamber of Commerce auditorium. Also on hand were Toledo area state representatives Casey Jones, Barney Quilter, John [illegible]

Part of Series

The chairman scheduled the Toledo session as part of a series of hearings around the state on a bill which deals with alleged redlining practices by mortgage lenders.

TAR members' presentations included a series of pin maps showing differences between the number of conventional home loans and FHA or VA loans guaranteed by the Federal Government.

Martin Charney, chairman of the Birmingham Neighborhood Coalition housing committee, and TAR co-chairman, contended that an ideal balance is two conventional home loans to one FHA or VA loan.

"Certain areas of the Old West End, near South Toledo, Birmingham in East Toledo, and North Toledo have a preponderance of government guaranteed loans, indicating that local financial institutions are excluding these areas for loan consideration, he said.

Mrs. Kathy Karocki said that a housing study showed that 70 per cent of loans on 244 parcels in the Birmingham area between 1955 and 1964 were conventional, remainder spread among FHA, VA, land contracts, and private methods of financing.

Between 1965 and 1974, she said, the percentage figures were reversed: 68 per cent for FHA, VA, land contract, and others, and 32 per cent conventional loans.

Tony Slawinski, speaking for TAR on a similar study in North Toledo, said that prior to 1967, conventional loans outnumbered others by about 3 to 2. In 1967, the proportion was about even, but by 1972, FHA, VA, and other forms of financing accounted for 79 per cent of home loans, with the remainder conventional.

Provision Criticized

One provision of the bill which drew criticism from Mr. Knowles and Mr. Trauger was a requirement that 15 per cent of all mortgage loans by banks and building and loan associations be to "high-risk borrowers."

The proposed measure defines a high-risk borrower as someone who does not fulfill minimum standards generally applied by lending institutions.

Mr. Knowles [illegible] the provision as "credit allocation," saying that for a bank or savings and loan association to bid on interim state funds it would have to "make 15 per cent of its loans bad loans."

Mr. Knowles defined credit allocation as telling a lending institution to whom it must lend, where, how much, "and ad infinitum."

"You either make 15 per cent of your loans that do not qualify under normally prudent lending practices, or you can't bid on interim state funds," Mr. Knowles asserted.

Funds Deposited

Interim funds, such as those collected by state liquor stores in a city, are turned over to the state general fund on a quarterly basis. In the interim the funds are deposited with local banks which qualify under state guidelines proposed in the legislation.

Mr. Knowles said that in his opinion "no bank or savings and loan association in their right mind and cognizant of their legal fiduciary liability would be interested in bidding on these funds under the circumstances."