

Understanding redlining

Students read a handout about the practice of redlining and answer questions about its impact on individuals and communities.

Learning goals

Big idea

Redlining is an illegal practice where people living in a certain area or neighborhood are not given the same access to loans and other credit services as people in other areas or neighborhoods on the basis of race, color, national origin, or some other prohibited reason.

Essential questions

- What is redlining?
- How does redlining affect communities today?
- What protections are in place to prevent redlining?

Objectives



- Understand how redlining began and how it continues to affect communities today
- Describe protections in place to prevent redlining

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Financial habits and norms
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Saving for long-term goals), Spend (Buying things), Borrow (Getting loans)

School subject: English or language arts, Social studies or history

Teaching strategy: Cooperative learning, Direct instruction

Bloom's Taxonomy level: Apply, Evaluate

Activity duration: 75-90 minutes

National Standards for Personal Financial Education, 2021

Spending: 12-6, 12-8

Saving: 8-3, 12-5

Investing: 8-1, 8-2

Managing credit: 8-1, 8-3, 12-6, 12-12

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Become familiar with the history of redlining.
- Answer questions about redlining's impact on families and neighborhoods.
- Identify laws and government agencies that prevent redlining.

Preparing for this activity

- While it's not necessary, completing the "[Role-playing borrowing and lending](#)" activity first may make this one more meaningful.
- Print copies of all student materials, or prepare for students to access them electronically.
- Review the "[Understanding redlining](#)" handout.

What you'll need

THIS TEACHER GUIDE

- [Understanding redlining \(guide\)](#)
[cfpb_building_block_activities_understanding-redlining_guide.pdf](#)

STUDENT MATERIALS

- [Understanding redlining \(worksheet\)](#)
[cfpb_building_block_activities_understanding-redlining_worksheet.pdf](#)
- [Understanding redlining \(handout\)](#)
[cfpb_building_block_activities_understanding-redlining_handout.pdf](#)

Exploring key financial concepts

Owning a home is an important part of building wealth for many people. Buying a home allows people to avoid paying rent to a landlord and build equity, which is the amount your property is currently worth, minus the amount of any existing debt related to your property. People who own a home can pass that property down to their children, which is one way families can build a strong financial foundation for their children. This is called generational wealth.

Most people don't make enough money or have enough in savings to pay the entire price of a house when they buy it. Instead, they take out a loan that allows them to make payments, usually each month, until the house is paid off. A loan that people use to buy a house is called a mortgage. Banks, credit unions, and other financial institutions offer mortgages to home buyers.

Redlining is a term used for an illegal practice where people living in a certain area or neighborhood are not given the same access to a mortgage as people in other areas or neighborhoods on the basis of race, color, national origin, or some other characteristic, regardless of their ability to repay their loan. Redlining began in the 1930s when government agencies began drawing a red line on a map around communities that were considered hazardous for lenders, which made it harder for people in those neighborhoods to buy homes.

Redlining also affected important neighborhood features, like education and a healthy environment. Businesses were less likely to invest in redlined neighborhoods because they were considered to be hazardous, meaning residents often had to travel outside of their communities for things like groceries. Because homes in redlined neighborhoods were considered to be less valuable, people who owned homes were denied loans to repair and build in redlined neighborhoods. Researchers have found that communities that were redlined in the 20th century continue to experience gaps in education, health, and economic development today.^{1,2,3}

TIP

Because products, terms, and laws related to buying a home change, students should be encouraged to always look for the most up-to-date information.

Although redlining has been illegal for decades, it still goes on today. Laws like the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA) make it illegal to discriminate against people who want to get mortgages based on race and other characteristics.

1 Nardone, A., Chiang, J., & Corburn, J. (2020). Historic Redlining and Urban Health Today in U.S. Cities. *Environmental Justice*, 13(4), 109-119. <https://doi.org/10.1089/env.2020.0011>.

2 Lukes, Dylan, and Christopher Cleveland. (2021). The Lingering Legacy of Redlining on School Funding, Diversity, and Performance. (EdWorkingPaper: 21-363). Retrieved from Annenberg Institute at Brown University. <https://doi.org/10.26300/qeer-8c25>.

3 Daniel Aaronson, Bhash Mazumder, Daniel Hartley. (2022). New Data on Thousands of U.S. Neighborhoods Shows Direct Impact of Redlining from 1930 to Today. Federal Reserve Bank of Chicago. <https://www.chicagofed.org/research/mobility/policy-brief-redlining>.

Teaching this activity

Whole-class introduction

- Tell students to imagine they're planning to buy a home in a new neighborhood. Ask them what they would want their new neighborhood to be like.
 - Answers may include safe, clean, access to public transportation, green space, access to grocery stores and other shopping options, access to restaurants and entertainment, close to major attractions, close to family, and close to jobs.
- Tell students they'll learn about a practice called redlining and how it has impacted neighborhoods across the country.
- Read the "Exploring key financial concepts" section to students.
- If you have time, share this brief PBS video on "What is redlining?" with your students, available at <https://youtu.be/nzQyKwsVWME>.
- Be sure students understand key vocabulary:
 - **Generational wealth:** Wealth that is transferred from parents or relatives to children or other members of their family. This may take the form of cash, property, or anything else that has financial value, as well as investments in children's education, like paying for college or vocational training. Also referred to as intergenerational wealth.
 - **Lender:** An organization or person that lends money with the expectation that it will be repaid, generally with interest.
 - **Loan:** Money that needs to be repaid by the borrower, generally with interest.
 - **Mortgage:** Mortgage loans are used to buy a home or to borrow money against the value of a home you already own.
 - **Protect:** To make sure that somebody or something isn't harmed, injured, damaged, or lost.
 - **Redlining:** A term used for an illegal practice where people living in a certain area or neighborhood are not given the same access to loans and other credit services as people in other areas or neighborhoods on the basis of race, color, national origin, or some other prohibited reason.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual or group work

- Distribute the “Understanding redlining” worksheet and handout.
- Students can work individually, in pairs, or in small groups on this activity but should complete their own worksheet.
- Give students time to read the handout.
- Students will use information from the handout to complete the worksheet.
- Students will complete the reflection question on their own.

Wrap-up

- Ask students to share their answers to the worksheet’s “Redlining in practice,” “Protections against redlining,” and “Digging deeper” questions.
- If time allows, ask volunteers to share their answers to the reflection question.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topics of saving and investing, including saving for long-term goals; spending, including buying things; or borrowing, including getting loans. Suggested activities include [“Qualifying for loans”](#) and [“Getting banked.”](#)

To learn more about the history and ongoing impacts of redlining, consider having your students visit the [Mapping Inequality: Redlining in New Deal America](#) interactive map and accompanying resources managed by the University of Richmond.⁴ Students can search for cities to see the Home Owners’ Loan Corporation maps and how communities were graded.

Measuring student learning

Students’ answers on their worksheets and during discussion can give you a sense of their understanding.

The answer guide on the next page provides possible answers for the “Understanding redlining” worksheet. **Keep in mind that students’ answers may vary.** The important thing is for students to have reasonable justification for their approach.

⁴ The Consumer Financial Protection Bureau does not endorse this third party or guarantee the accuracy of this third-party information.

Answer guide

Redlining in practice

1. How did redlining begin? What was its original purpose?

Redlining began in the 1930s when the U.S. was encouraging home buying to help recover from the Great Depression. The government offered incentives like low interest rates, meaning it cost less for people to borrow money to buy their homes. Redlining was originally intended to help lenders determine levels of risk when making loans to individuals and families seeking to buy homes in different areas.

2. Review the map in the “Understanding redlining” handout. Would you be offered a high or low interest rate on your mortgage if you wanted to buy a home near a cemetery? Explain your answer.

You would be offered a high interest rate because those homes are near neighborhoods graded C (yellow) or D (red).

3. Are there more green or red areas on the map? Based on what you know about redlining, who do you think was most likely to live in the neighborhoods marked in red vs. green?

There are more red areas on the map than green. People who lived in areas marked green were almost always White and almost always had high-paying jobs in places like banks or other large businesses. People who lived in areas marked red tended to be Black or immigrant, or White people with low-paying or no jobs.

4. How did redlining create barriers to homeownership for Black, immigrant, and other communities?

Redlining made it difficult or impossible for people who were Black, immigrants, or had lower incomes to buy their homes because lenders either would not provide mortgages or would increase fees and interest rates in lower-graded areas, making the homes unaffordable. People of color and immigrants were not able to buy homes in higher-graded areas because of community codes that prevented White homeowners from selling their homes to people of color. As a result, members of Black and immigrant communities had very few options for homeownership.

Protections against redlining

1. List three signs of credit discrimination, according to the Fair Housing Act and the Equal Credit Opportunity Act.

Answers may include:

- Refusing to provide someone a loan based on race, color, or other protected characteristics.
- Providing loans with higher interest rates or fees because of a person's race, color, or other protected characteristics.
- Recommending a bad mortgage loan product because of a person's race, color, or other protected characteristics.
- Placing a value on a property, also known as appraising a property, that is lower than it would be otherwise because of a person's race, color, or other protected characteristics.
- Refusing to provide a mortgage or requiring higher interest rates or fees because of the race or ethnicity of people who live in the neighborhood where you wish to buy a home.
- Refusing to offer credit because you receive public assistance.
- Considering whether or not you have children when deciding to provide credit.

2. What can people do if they believe they are being discriminated against when trying to get a mortgage?

Answers may include:

- Tell your lender that you believe they are engaged in discriminatory practices. They may be willing to reevaluate your loan request.
- Check with your state Attorney General's office to see if the lender violated any state laws related to fair housing and/or credit.
- Make a report to the appropriate federal agency. You can report suspected violations of the Fair Housing Act to the U.S. Department of Housing and Urban Development at https://www.hud.gov/program_offices/fair_housing_equal_opp/online-complaint. You can report suspected violations of the ECOA to the Consumer Financial Protection Bureau at <https://www.consumerfinance.gov/complaint/>.

Digging deeper

Answers may vary.

Reflection question

Answers may vary.