*Shelley v Kraemer (McGhee v Sipes), 334 U.S. 1 (1948)*

In 1945 the black family of J. D. Shelley bought a house in St. Louis, Missouri. Shelley did not know that the house was covered by a restrictive covenant which barred “people of Negro or Mongolian Race” from occupying or purchasing property. A resident of the neighborhood, Louis Kraemer, sued to keep the Kelleys from taking possession of the property, even though he lived ten blocks away. He received a decision from the State Supreme Court that the covenant could be enforced against the Shelleys because it was a private agreement.

**Historical Context**

By the end of 1830s slavery was mostly a southern phenomenon. This did not mean, however, that black Americans in the north could expect equal rights. The end of northern slavery brought about more racial prejudice, not less, as blacks and whites competed for jobs, housing and equal access to facilities. White northerners responded to the presence of blacks by limiting their freedom via segregation and exclusion.

In several northern states, including Ohio, Black Laws excluded blacks from serving on juries, testifying against whites in court, joining the militia, using the public schools or moving into the state without posting a bond. Blacks were barred from living in certain neighborhoods and were often segregated when the used public transportation. Public officials also refused to protect the property and lives of black citizens, and blacks who were arrested were more likely to be convicted and subjected to harsher sentences than whites. Finally, most northern states did not permit blacks to vote.

By the 20th century discriminatory laws remained on the books in northern states, although enforcement was spotty. *De facto* segregation, that is, segregation based on custom or tradition, was more common, however. This was especially true in terms of housing. A number of practices were developed that restricted the rights of African Americans to choose where they lived. Red lining and steering by real estate companies became popular, as did restrictive covenants, an agreement between the buyer and seller that forbid the sale of property to blacks. All these practices ensured that blacks were locked into highly segregated neighborhoods containing substandard housing.

**Questions**

Do racially restrictive covenants violate the Fourteenth Amendment? Can they be enforced in court?
Conclusion

The United States Supreme Court noted that racially restrictive covenants did not violate the Fourteenth Amendment. It also ruled that state courts that prevented the sale of property to blacks even if the property is covered by a restrictive covenant violated the Fourteenth Amendment.

Contemporary Relevance

*De facto* segregation continues to ensure that African American home owners are not welcome in most suburban neighborhoods. Moreover, the low housing prices found in distressed urban neighborhoods have been very attractive to young professionals who often buy and rehabilitate them. This drives up the price of real estate and ensures that many working class people and the elderly can no longer afford to live in their chosen neighborhoods.

For the most part efforts to encourage integrated neighborhoods have fallen on deaf ears. Nowhere has this been more apparent than in ethnic conclaves in northern urban cities. Violence such as that met by the Shelley family was not uncommon well into the 1970s.

Finally, difficulty paying a down payment and financing a home has ensured that fewer blacks than whites own homes. Home ownership is the way that most people build wealth. Yet because of discriminatory lending practices, even high income blacks had difficulty buying homes. During the presidential administration of Bill Clinton substantial changes were made to the Community Reinvestment Act so that lower and lower-middle class families could buy homes. The Act contained incentives for banks who helped expand home ownership opportunities to minorities and in minority neighborhoods. In order to claim these incentives many banks engaged in a practice of lending large sums of money to people who lacked credit or had negative credit profiles. Top tier banks offloaded these mortgages to the secondary or subprime financial institutions, often referred to as predatory lenders. When the real estate bubble burst, it was the subprime loans held disproportionately by racial and ethnic minorities that experienced the worst default rates. In 2015 the American dream of owning a home is still out of reach for a substantial proportion of African Americans.