Rural South Carolina: An Ethnographic Study of Homeownership, Home Financing, and Credit

Kate Porter Young
Little River Family Resource Center

Abstract

Public understanding of the path to homeownership is strongly influenced by the experiences of urban and suburban homebuyers, particularly the experiences of white, middle-class households. The study discussed in this article used ethnographic research methods to explore the homeownership, home financing, and credit traditions of two rural South Carolina communities. The researcher learned that the paths to homeownership for African-American and lower income white families in these communities differ in important ways from the stereotypical homeownership patterns observed in many urban and suburban areas. The study identified three factors that have a significant influence on the homeownership process in the communities: local housing markets, cultural and structural barriers to home financing and other forms of credit, and the availability of resources provided by extended family members. This article discusses the way these factors affect the homeownership process and identifies their implications for home mortgage lending institutions and policymakers.

Charleston County and Georgetown County, South Carolina, occupy a 150-mile stretch of coast best known for its antebellum grandeur and its barrier islands: Pawley's, Dewies, Isle of Palms, Sullivan's, Kiawah, Seabrook, and Edisto. Each year thousands of tourists visit this semitropical paradise etched in palm trees, tidal marshes, and moss-laden live oaks. And each year thousands more move to the coast, attracted by the quality of life and the booming economy. Banks and real estate offices have sprung up in areas occupied by woods, deer, and farmland only a decade ago. Housing developments have become the cash crop of the new South.

Behind the barrier islands and expensive housing developments lie small rural communities of the old South. Here people not only know one another but know one another's parents and grandparents as well, and are ready to lend a helping hand when necessary. Both African-American and white communities in Georgetown and Charleston counties are the focus of this HUD-sponsored ethnographic study of homeownership, home financing, and credit cultures in the rural South.

In the areas targeted for the project, homeownership is an important dimension of community and family life; virtually every housing unit is owner occupied. However, the types of housing available and the means by which individuals acquire homes bear little resemblance to the stereotypical middle-class norm of home purchase through mortgage lending. Community members pursue a variety of strategies to become homeowners, and few individuals have home mortgages. In this study, three factors influenced individuals' homeownership and financing options: the local housing market; cultural and structural barriers to home financing and other forms of credit; and the availability of resources—land, labor, skills, and building materials—provided by extended family members.

Site Descriptions

Mt. Pleasant, Charleston County

Mt. Pleasant, located directly across the Cooper River from Charleston, resembles many other metropolitan suburbs. Shopping centers and fast-food restaurants dominate the landscape for miles along the main coastal highway. Whites and African-Americans stand on both sides of the counter in area stores, shopping, working, and conducting business. Just past the commercial district, stucco or brick entrances to housing developments separate the noisy highway from lanes that wind past spacious homes priced between $150,000 and $300,000. Most of these developments were built during the last decade to house the 12,000 newcomers who have moved to the city since 1980.

Mt. Pleasant's diverse coastal environment and easy access to the city make it the most desirable residential area in Charleston County. The public beach is only 5 minutes away, via the causeway that connects Highway 17 to Isle of Palms. Inland, the perimeter highway traverses vast marshlands and two rivers to connect the peninsula of Mt. Pleasant to the airport and the financial/commercial district of North Charleston. Tidal creeks, rivers, and the Intracoastal Waterway bounding Mt. Pleasant provide an abundance of waterfront home sites situated beside deep water. Interspersed among the new developments are century-old African-American communities created by freed men and women who acquired the land after emancipation. Eight African-American communities, with a total population of 6,474, comprise 18 percent of the area's 41,000 residents.

Within each community, houses are clustered together on 10-, 20-, and 30-acre plots of land. Some houses front the road, while others sit farther back on the same property. These clusters often form tiny hamlets or family compounds ranging in size from 3 to 25 households. Each community, consisting of several family compounds, includes a variety of housing stock, ranging from mobile homes to spacious two-story brick, wood, and vinyl-sided homes.

At the intersection of Highways 17 and 41 stands the Greater Goodwill African Methodist Episcopal (A.M.E.) Church, established in 1836. Inside the foyer of the low, white, modern building, a glass case contains a display detailing the black community's historical and cultural legacy: sweet grass baskets (a tradition handed down from African ancestors); turn-of-the-century photographs of community elders; and a carefully scripted text commemorating the elders' contributions, including those of carpenters who helped to build community members' houses.

Today's inhabitants of the Mt. Pleasant African-American communities are engaged primarily in skilled and unskilled wage labor. Many of the under-30 generation have attended college or vocational institutions. Men find employment in the construction industry and in the expanding manufacturing sector of the tri-county area. The largest local employer is the health-care industry, which includes the Medical University of

South Carolina hospital and several hospitals and nursing homes. Most adolescents, young adults, and women work in Mt. Pleasant's retail stores, restaurants, and motels. There is a sizable elderly and dependent (disabled, elderly, and retired) population in the African-American community, and wages in general are lower than those of the median population. While the metropolitan area's median income is $35,600, many individuals, particularly women, earn only $10,000 to $20,000.

The salaries of many community residents are not sufficient to purchase a home in the Mt. Pleasant area, where the purchase price for new houses begins at $80,000. An income of at least $30,000 a year is usually needed to purchase a house in this price range. Houses in the African-American community are rarely for sale, and virtually all housing units are owner occupied. In the predominantly African-American rural area between Mt. Pleasant and Georgetown County, the median house value is $56,000.

Georgetown County

Georgetown County lies 50 miles north of Mt. Pleasant on coastal Highway 17. The city of Georgetown (population 9,517) is dominated by manufacturing. Two of the major industrial complexes, International Paper Company and Georgetown Steel, impose themselves on the landscape when viewed from the wide, white Sampit River Bridge. On the right, at the river's edge, lies Georgetown Steel. Rusted metal buildings three stories high, conveyors lunging toward the sky, and mountains of metal shavings dwarf men in coveralls, hard hats, and work boots.

Just across the road, International Paper's modern, two-story glass building sits on the edge of an expansive executive-park lawn. Directly behind this modern facade, two towering infernos belch forth columns of white smoke that can be seen for miles. Beyond the paper mill, the steel mill, and the maze of railroad tracks, Highway 521 veers off to the left and passes through the working-class side of town. Four mobile-home dealers, three car dealerships, and two mobile home parks—one housing whites and one housing African-Americans—line a 5-mile stretch of road. The median income for the city is $24,000, and the median home value is $52,000, says one Georgetown banker. Fewer than one-half of the county's 48,914 residents are African-American, according to the 1990 census. Its predominantly rural population lives in a dozen communities scattered among pine forests that are owned by several lumber and paper companies.

Methodology

For this project, conducted in Georgetown County and the Mt. Pleasant area of Charleston County during May and June of 1995, I interviewed 21 homeowners and a renter (5 whites and 17 African-Americans). With the exception of Rawlings Frasier (all names are pseudonyms), a native of Georgetown County, the African-Americans who participated in the study belonged to landed communities on the fringes of Mt. Pleasant.[1] In addition to the formal interviews I conducted in Mt. Pleasant's African-American communities, I attended services at Greater Goodwill A.M.E. Church and visited over Sunday dinner tables, on porches, and at highway basket stands. This informal dimension of fieldwork provided a context for interpreting individual narratives and the issues and events that are affecting the targeted communities.

In both Georgetown and Mt. Pleasant, I interviewed individuals from two generations—those over 40 years of age and those under 40. Although patterns of participation in credit cultures differed for older and younger community members, many financial management practices were passed down from one generation to the next. Examples from African-American and white communities are used, for the most part, to point out similarities rather than differences between the two populations. As my own roots lie in the rural working-class South, I readily understood the perspectives of both the blacks and the whites that I interviewed.

To learn as much as possible about local housing and home-financing options, I also interviewed bankers, journalists, real estate agents, and representatives of nonprofit housing organizations. Of particular importance to my understanding of local problems and issues were *culture brokers*—individual members of the targeted communities who are also bankers, real estate agents, and attorneys. Most of the interviews were tape recorded. Careful attention to language and cultural/historical context revealed much about the attitudes, beliefs, and world views shared by community members.

The findings from this HUD-sponsored study are informed by many years of ethnographic research in the Mt. Pleasant African-American communities, focusing on the impact of recent urban-industrial development on a region known for its rich cultural heritage, its prominent place in the African diaspora, and its history of landed, self-sufficient rural communities. I have been privileged to learn about this area's proud history and heritage from elders such as Ben and Adra Gaillard.

Land and Houses as Cultural Text

Mt. Pleasant

When I first met the Gaillards in 1971, they lived in a family compound of 11 households clustered around a central clearing at the end of a sandy lane near Highway 17. The other houses belonged to Ben and Adra's two sons, Ben's two brothers, and six of his nephews. The compound is located on a 30-acre tract of "family land" handed down from Ben's parents and his grandmother, who was a slave on a nearby plantation. After the Civil War, this tract of land, like the others in the community, was allocated by a local planter for sale to freed women and men in exchange for labor on his plantation.

Sitting on his porch, with the breeze blowing in off the sound, Ben often reflected on his good fortune and on the lessons he learned from his parents and grandmother:

> You know, the old people say, "Don't ever sell the land." As long as you got that, you can always make a living and nobody can rule you. If it wasn't for the old people, we'd be living just so, like those poor people in the city: paying rent and out on the street any day the landlord say.

Ben gestured toward the clearing in the center of the family compound where his grandchildren played. "When my old parents and grandmother first come this side, all this land you see here now wasn't nothing but jibland (marginal, low-lying land).… Sha, you could hunt deer and all back here, the wood been so thick." I pointed toward a live oak in Ben's backyard that was at least 5 feet in diameter. "You mean they carved their farm out of virgin forest?" I asked. Ben nodded. It took his parents years to clear the land with their axes, their mules, and the help of other freed men and women who settled in the community. They worked through steaming coastal summers in swamps filled with alligators, rattlesnakes, and clouds of mosquitoes fat as flies.

Before the time of Ben's earliest childhood memories, his parents had built three houses. When they first moved off the plantation to their own land, they settled on a knoll rising out of the high marsh next to the sound. The breeze whistling through the scrub cedars and oaks kept the mosquitoes at bay. Ben called the first house they had built "a board and brush house—just something to keep them out of the wind and the rain. Them old people was some tough people I tell you—had to be tough to go through all they been through."

The house Ben's parents had built by the sound was destroyed by a hurricane in 1890. They built their next home farther back from the sound on land they had cleared beside a tidal creek.

> Then another storm hit and wiped that house clean out. I was a 3-week-old baby then. My mother taken me in her arms and run for higher ground. Well, my daddy gather up the board from that house, go to cut some more, and round up a bunch of these fellows on the beach. Gone to building another house way back here in the corner of they land next to old man Porcher['s] farm.[2]

Ben grew up in this home overlooking the family's fields. By the time Ben had reached the age at which his memories begin, his family were prosperous farmers:

> We were farming people just as much as the white folks. Raise any kind of vegetable you can name, and cotton too. Then the creek been right yonder and fish been plentiful back them time. That was easy living. If you starve to death down here, it was just out of laziness.

Family Land and the Problem of Heirs Property

Although land is no longer the vehicle for production, family land passed down from generation to generation is considered an estate in which, theoretically, all heirs have use rights according to the traditional custom. Under this use-right system, no one person "owns" family land, nor is it a commodity that can be bought or sold. I learned of this distinction early in my fieldwork as Adra Gaillard and I walked through her community to visit her sisters. After passing several family compounds, she said, "All these houses you see are built on family land." I asked her innocently whether anyone in the community had ever sold family land. She stopped suddenly and said, "This is family land, girl! You can't sell that! The old people worked hard to get this land and pass it down for their children, you know."

Until 20 years ago, this traditional system of inalienable use rights insured that all family members would have access to a house plot, though not necessarily to a clear title or a deed. As long as individuals built their own houses "out of pocket," title transfers represented an unnecessary expense that was not important in the traditional land-tenure system. But, to obtain mortgages and loans, today's community builders need individual deeds to land on which to construct their houses. In response to the increased prevalence of a credit system in which land can be used as collateral, many families have formalized the division of their family land.

In some families, however, the deed to family land remains in the name of a deceased relative, and there may be as many as 100 relatives with a legal claim to the land. Under these circumstances, obtaining an individual deed to a house lot may be difficult and costly. Of the 22 individuals I interviewed, two cited *heirs property*—family land titled in the name of a deceased relative—as an obstacle to obtaining home financing. This dilemma of heirs property, characterized by the competing claims of various heirs, is common in African-American communities throughout the rural South. One study showed that one-half of the agricultural land owned by southern African-Americans is heirs property (Zabawa, 1995). Another estimated that 89 percent of today's black farmers will leave no will upon their deaths (Schulman, 1985).

The tradition of land as a gift handed down from one generation to the next, however, continues to benefit the younger generations as it did their parents and grandparents before them. Today, if parents can afford to do so, they buy additional land for their children when not enough family land is available to accommodate the children's needs. Of the 22 community members interviewed for this project, for example, 16 had established households on family land or on land purchased by parents as a gift. This land base, sustained by the continuing practice of buying land for children, facilitates local networks of kinspeople who provide one another with a wide variety of goods, services, and support. The meaning of land as an integral part of community and family life may explain why some individuals are reluctant to use land or houses as collateral in loan transactions, even when there is no problem with the land title.

The view of houses and land as a family legacy was also reflected in the responses I received to the question: Why is homeownership important to you? "You want to have something you can pass on to your children, something of value," answered a 40-year-old father of three. In terms that equated a house to part of the family, 30-year-old Kathy Clement explained why building a house was important to her:

> It's important because it's like having family.… A mobile home would be o.k., but … I prefer a house because in the end it will be mine. The family would not be complete without a house.… So, right now, it's like a long-lost relative that I am trying to find, and one day I will find it.

White Communities in Georgetown County

"You'll see it," Flora Wilson, age 50, told me over the phone. "It's a little house with green shutters, on the right after you pass Mt. Taber Church." I drove farther and farther north of the city of Georgetown on Highway 701, seeing little except pine woods and signs pointing toward the beaches and housing developments a few miles east on Highway 17. Eventually, I crossed Yauhannah Creek and located Mt. Taber Church, a low, white, modern building with an older frame chapel behind it. "Right after Mt. Taber Church" turned out to be 5 more miles of woods. In the 2 hours I spent talking to Flora in her front yard, I learned that her family and her husband's family owned all of the land between her house and Mt. Taber Church. Flora's great-great-grandfather had hewn the logs to build that church and floated them down the Black River and Yauhannah Creek, lumberjack style. Most of the land handed down through the generations remains in the two families. Flora explained why holding onto the land was important to her:

> Around here, the land is who you are. My uncle had a saying: "Money goes. You can get rid of money anytime, but as long as you got the land, you've got money somewhere. So hold onto your land." And these boys around here believe in that. They don't sell their land. When you've got nothing else, if you got the land, you got something.

For Flora's generation, which grew up in farming communities, landlessness meant working as tenant farmers or sharecroppers on someone else's land. As in the rural African-American communities, land ownership represents independence and self-sufficiency for Flora and her family. At the same time, land and a home can connect individuals to their community and to a shared history of reliance upon one another. When I asked Flora about the houses of other family members, she counted off a half-dozen relatives living on the two tracts of family land (hers and her husband's). One brother had built his house with the help of his father and a brick mason from the neighboring African-American community.

Flora's brother-in-law built his home "for nothing" with the help of his father and several neighbors whom he hired. He used the lumber from the old Yauhannah schoolhouse. When I asked Flora why her brother wanted to use this building for his house, she replied: "Well, you want to build something into your house that was part of the community or the family property. Lots of folks use lumber from old barns to build their houses around here."

Like a family crest or clan totem, houses and land tell who a people are and how they came to inhabit the place where their descendants have lived for generations. The meanings that particular groups ascribe to land and houses vary among the many cultures that constitute American society. Houses and land can be read as texts that reveal a group's shared concepts of community, family, identity, and social structure. These concepts, passed down from generation to generation, inform the behavior and values related to homeownership. Cultural constructions can either motivate the desires and incentives for homeownership or pose obstacles to acquiring a home, especially as socioeconomic conditions change in an area. In the targeted rural white and African-American communities, incentives for homeownership consist of resources (land, in-kind labor, and skills) provided by family and friends for the establishment of a household. At the same time, the concept of land as a gift and a family legacy discourages the use of land as a commodity in loan transactions.

Housing and Home Financing Options

In rural white and African-American communities, establishing a household and becoming a homeowner is an expected part of what it means to be an adult, to be married, and to have a family. This scenario differs very little from that of the urban/suburban middle class or of American society as a whole. However, the housing options available to low- to moderate-income rural families and the strategies they employ to acquire homes differ dramatically from the stereotypical home search and purchase process of the metropolitan middle class.

The following discussion explores five ways in which the members of rural communities in the South acquire housing: home construction, home purchase, mobile home purchase, rental, and inheritance. Financing strategies employed by community members are discussed in each of the sections.

The Home Construction Option

Building one's own house on family land with in-kind labor from relatives is the traditional path to homeownership in the rural communities of Charleston and Georgetown counties. Self-built homes are still common today, though the home construction process has changed during the last 25 years. Each generation of homebuilders tells the story of incentives for, and barriers to, homeownership and the financing strategies most common in a particular time period.

1940–70: Home construction and home financing strategies. In the African-American communities of Mt. Pleasant, marriage is usually the occasion for establishing a new household, separate from that of the parents. For the older members of the community, who wed between 1940 and 1970, getting married entailed building a "marriage house" and arranging an elaborate wedding feast for the entire community. Establishing the marriage house and acquiring the land on which to build it was primarily the responsibility of the prospective groom and his family. Men usually gained land through exercising their right to family property. Though community members state that "all heirs come in equal" regarding claims to family land, men actually have first claim so that they can fulfill the obligation to provide a home for their families. My 1980 survey of land tenure and residence patterns bears out the pattern of postmarital residence on the husband's family land. Of the 65 nuclear family households in my survey of 95 households, 75.3 percent were located on the husband's family land; 18 percent were on the wife's family land; and the remainder were on land bought by the couple or purchased by their parents as a gift (a common practice).

The case of Ben and Adra Gaillard demonstrates strategies often employed during the 1940–70 period. When Ben began courting Adra in 1943, he was the only unmarried son and had the responsibility of helping to support his aging parents. He worked as the foreman of water works installation and maintenance on the Isle of Palms, just across the sound from his family's farm. He rowed across the sound to the island each Monday morning and rowed back to the mainland on Friday evening. Ben and Adra had been courting for 2 years when he decided to marry. For the next 2 years, he took on a second job as a yard-and-fix-it man for white residents of Isle of Palms, saving the earnings for a "marriage house."

With his first year's savings, Ben bought lumber from a local sawmill and hired a carpenter to frame his house. In the months that followed, he and Adra worked on the house on the weekends. Adra saved money from her work in Charleston as a domestic and a peanut factory worker in order to buy household goods and help furnish the house. By the end of the second year, Ben and Adra, with the help of their families, had the goods and money necessary for their wedding feast, a ritual that involved wining, dining, and entertaining hundreds of relatives and neighbors from several nearby communities. Ben was 30 and Adra 27 when they married in 1947. By that time, his two older brothers had already built houses on the 30-acre tract of land passed down from his parents and his grandmother.

Like most houses built by young couples at that time, Ben and Adra's marriage house consisted of two rooms: a parlor or sitting room and a bedroom. The gabled roof with dormer windows provided a sleeping loft for children and there was a porch on the front of the house. Attached to the back of the house was a cooking shed with a wood-burning stove. At that time, building a house did not entail installing indoor plumbing or electricity, which were unavailable in rural areas of the county until the mid-1950s.

Over the years Ben and Adra had five children, and Ben added more rooms to the house: an indoor kitchen, a bathroom, two bedrooms, a den, a dining room, and a second screened porch. One of his cousins, an electrician, installed the wiring.

Estelle and Asa Maynard, who married in 1961 when they were in their twenties, lived with Asa's parents for a year while they saved $500 toward construction of their four-room home. Estelle and Asa employed many of the same strategies as Ben and Adra, but they also bought some materials on credit at a local building supply store. Asa's cousin framed the house and wired it; Asa and Estelle did the rest.

After they had finished one room of the house, they moved in with their two children. Estelle recalled those early years: "We lived in that one room, with plastic over the other parts. Each night we'd work a little bit putting up sheet rock and all. It was like a hobby we did together. It was a lot of fun." Thirty-one years later, Estelle and Asa are still making improvements to their home. It is now a neat, two-story frame house with three bedrooms, den, kitchen, living room, and dining room.

Expanding a house room by room as space is needed and as money and goods are accumulated is still a common practice among rural whites and African-Americans. As

Estelle's statement indicates, home construction and home improvement are a regular weekend community activity in rural areas. Driving through a rural community when the weather is fair, one is likely to see several men, women, and children building new houses, bricking in older houses or mobile homes, adding rooms to existing homes, painting, or roofing the houses.

By the 1960s, obtaining credit at local stores was an established practice in many rural households. Several people I interviewed mentioned buying the materials for home construction or improvement from a building supply store on Highway 17. The store features two types of credit accounts: a regular credit-card account with an interest rate of 24 percent and an escrow account that builders and subcontractors can draw on as needed. The credit manager of the store stated that many individuals engaged in home construction made weekly deposits from their paycheck into an escrow account. In addition, the banks financing home construction could make periodic deposits into escrow accounts for specific phases of the building process. These accounts helped both the banks and the homeowners or builders keep a record of the way the loan money was spent.

1970: Increasing costs and regulation of home construction. Beginning in 1970, Charleston County imposed a host of regulations that made home construction more difficult and more costly. New housing standards required a minimum amount of square footage, approval of house plans or blueprints, and a percolation test to ensure adequate drainage of sewage into a septic tank. Much of the land along the South Carolina coast is so low that sewage literally floats up through the ground after a hard rain. Since African-American communities are often located on marginal, low-lying land, passing the percolation test can be the crucial factor in obtaining a building permit. Many families have been unable to use their land for home construction because of this problem. The obstacle is so severe in Georgetown County that one African-American attorney cited the lack of sewer and water lines as the primary barrier to homeownership for the predominantly rural population.

In addition to the percolation test and the building permit, individuals building their own homes must purchase permits for each phase of construction and pass further inspections of septic tanks, electrical wiring, and plumbing. Because many qualified contractors, carpenters, electricians, and plumbers live and work in the rural communities, homebuilders who need advice or assistance will be able to pass the inspections eventually. Nevertheless, the cost of permits is a significant expense for individuals who are building houses with their own hard-earned money. Permit costs in Charleston County total $600, compared with $150 in neighboring counties. Furthermore, the permits do not convey for the duration of the construction; they must be renewed, and additional fees paid, every 6 months. For individuals building a house on weekends or as money and helpful relatives are available, this 6-month limit imposes a considerable burden. In other words, Charleston County's permit-timing process discourages individuals with limited resources from building their own homes.

1970–90: Self-built homes and home financing strategies. During the last 25 years, because of the rising costs associated with home construction and the desire of the younger generation for more spacious modern homes, building a house has necessitated some form of financing in addition to years of saving money and accumulating building materials. When Harriet and John Singleton of Mt. Pleasant married in 1975, they decided to live with Harriet's parents rather than rent an apartment in town so that they could save money toward building a home. As Harriet said, "All you get is a receipt when you rent. That money is just gone." At the time, John was working as a longshoreman in Charleston and Harriet was a teacher's assistant in the local grammar school.

After saving most of their earnings for 5 years, the Singletons hired a contractor friend from the community to construct their split-level, four-bedroom home on land purchased for them by John's parents. In addition to the thousands of dollars of their savings that Harriet and John invested in their house, they obtained a loan to complete the construction. Because of their income level, job stability, and low debt load, they had no trouble acquiring an unsecured loan.

1990–95: Self-built homes and other financing strategies. Individuals in the study area who have built homes in the 1990s have been more likely to use bank loans to fund home construction. Most of these were unsecured loans obtained through credit unions or banks from which the individuals had borrowed money in the past. In 1990, for example, 50-year-old Ike Gaillard borrowed $20,000 to finish the second home he has built for himself. Ike, the eldest son of Ben and Adra Gaillard, built his first small frame house in the Mt. Pleasant family compound prior to his marriage many years earlier. Since that time, he has become a master plumber earning more than $50,000 a year.

In 1985 he purchased a plot of land in a nearby tract development and began construction, helped by his sons and nephews. When Hurricane Hugo hit the coast in 1989, it destroyed his house in the Gaillard family compound and damaged the house under construction. Ike obtained a $10,000 loan at 4-percent interest from the Federal Emergency Management Agency and applied that money, as well as the $20,000, toward finishing his new home. I asked Ike whether he had considered getting a construction loan when he began his house. He said that he did not want to borrow any more money than necessary, nor did he want to owe the bank money for 15 or 20 years. He preferred to borrow less money and pay the loan off as quickly as possible. Ike's conservative attitude toward debt is reflective of the older generation of rural whites and African-Americans that I interviewed for this project. (See Credit Cultures and Credit Practices: Gaps and Barriers Between Banks and Rural, Working-Class Communities, below.)

Home construction mortgages and the younger generation. Among the younger generation of prospective homeowners, attitudes toward long-term debt or mortgages seem to be changing. In the study area, for example, two 30-year-old individuals sought information about mortgage products and participated in financial management courses offered by local banks. One eventually obtained a construction/perm loan from a bank near Georgetown.

A *construction/perm loan* is a single mortgage product that offers interim funds to be released for specific phases of construction. When the house is completed, the amount paid out during construction is rolled over into a regular mortgage. From a banker's perspective, construction/perm loans are complicated and time-consuming; the bank must oversee the construction process for several months to a year before the loan transaction is completed. Nevertheless, in rural counties such as Georgetown, construction/perm mortgages often make up a large share of a bank's business. Loan officer Clara Jacobs said that half of her bank's mortgage business consisted of construction loans. Once a house is completed, these mortgages can be sold on the secondary market. But bankers in Mt. Pleasant, who handle very few individual construction loans, stated that mortgages on houses (built or purchased) in rural areas are difficult to sell on the secondary market due to risk factors. The principal risk factor is that rural homes do not sell as quickly as suburban tract homes.

Rawlings Frasier, a 36-year-old Georgetown builder and engineer, and his wife, a business owner, provide an example of the use of a construction/perm loan. The Frasiers earn a combined income of more than $60,000. For 3 years, they saved money to build a home on the 2 acres of land purchased for them by Rawlings' father. Rawlings and his wife made several attempts to obtain a mortgage but were unsuccessful because of problems with Rawlings' credit record. After his first marriage ended, Rawlings had engaged in a period of reckless spending that had a negative effect on his credit rating. Rawlings' wife, however, has a good credit record.

The couple finally obtained a construction/perm mortgage from Pauline Brown, an African-American banker who knew the couples' families and had grown up in a rural community similar to theirs. As Rawlings put it, "She looked at us and said, 'You guys need an opportunity. You need a chance.' And she gave it to us." Rawlings and his wife had saved $20,000 to begin building their house and borrowed $60,000 to complete construction. After their home was finished, the loan became a 15-year mortgage at a fixed rate of 8.75 percent. Rawlings, who is also a professional builder, acted as the contractor for the construction project. He subcontracted some of the work and used "in-kind labor"—friends and family who helped him in return for his promised help on their future home construction or improvement projects.

Anthony Bennett, a 37-year-old Mt. Pleasant resident, also tried to obtain financing to finish the house he was constructing with the help of his contractor brother. He had invested $40,000 in the house and completed 55 percent of the project when he approached the bank for a $15,000 loan. Although Anthony was a college graduate with no credit problems and earned $30,000 to $41,000 a year, he was unable to get the loan. There were two reasons why the bank would not lend him the money: The loan amount exceeded the land's appraised value of $6,000, and the bank was hesitant to invest in a house already under construction.

When I mentioned Anthony's problem to banker Clara Jacobs, she explained the dilemma that banks face when customers try to borrow money after home construction has begun. When a house is already under construction, bankers have no way of knowing whether there are liens on the house. For all the bankers know, the individual may owe money to subcontractors and other creditors. In addition, a bank wants to be involved in choosing the contractors or subcontractors, in order to be sure that they are licensed, reputable, and cost conscious.

Clara said she has, on occasion, gone "out on a limb" for established customers who have spent and borrowed extensively in their attempts to complete their homes. She recalled the case of an African-American customer whose house was 75-percent complete. He had borrowed extensively on his credit cards and from finance companies in an effort to complete his house before he got married. Clara loaned him $15,000 to finish construction. Once the house was completed, she drew up a $65,000 mortgage so the young man could pay off all his home construction debts. "It was just one of those creative things," Clara said she did on occasion for her trusted customers.

Bankers in rural Georgetown and those of suburban Mt. Pleasant have significantly different attitudes toward construction/perm loans. In Georgetown, banks are competing for a limited home-mortgage market that is not undergoing rapid growth. In affluent, expanding Mt. Pleasant, mortgages on houses in rural areas are far less profitable than mortgages on $100,000-to-$300,000 suburban homes, which require less time to process and are easily sold on the secondary market. As one banker commented, "Why should we spend a lot of time on these little $50,000 high-risk deals when we can do $250,000 mortgages so much easier?"

Home construction and the Jim Walters Company. Families with yearly incomes of $30,000 to $60,000 who have access to land and a network of relatives providing in-kind labor can still manage to build their own homes. Yet many households do not possess all of these resources. The Jim Walters Construction and Mortgage Company specializes in building and financing low-cost homes in rural areas for individuals who own land there. The company, a billion-dollar-a-year business with offices in 21 States, builds houses ranging from $20,000 to $115,000.

Jim Walters will construct any of its standard homes to a desired level ranging from 55 to 90 percent of completion, an approach that allows the family members to do much of the work themselves. The basic structure provided by the company is a shell home that includes interior wall studs and a finished exterior from foundation to roof. After the exterior has been completed—usually in 1 to 2 months—the customers determine those aspects of construction they want to undertake themselves. A 90-percent completed house includes heating, air conditioning, electricity, plumbing, kitchen appliances, wallboard, and flooring. Expenses for the company and the customer are reduced through lower labor costs, standardized materials bought in bulk by the company, and the use of previously purchased building lots. The company saleswoman was quick to point out that Jim Walters' houses are not modular homes and hold their value as well as stick-built residential properties constructed in the more usual way.

In addition to the staged construction process, the company also originates, services, and insures home financing through its mortgage company. If a family owns land with a free and clear title and uses that land as collateral, no downpayment is required. The company has a simple formula for determining monthly payments and eligibility: Monthly payments should not exceed 25 percent of the household's gross monthly income. If they do, a larger downpayment is required. The length of mortgages ranges from 12 to 30 years, with the interest rate fixed at 10 percent (the same since 1947), and no points or closing costs.

Chloe Remly was one of several individuals in Mt. Pleasant who bought a Jim Walters home. A divorced parent of three children, she returned home from New York 15 years ago and found a job as a nurses' assistant in a local nursing home. For 6 years she lived with her mother in a traditional clapboard house built on an open foundation that had gradually rotted in the humid, subtropical climate. Chloe purchased her home 9 years ago for $40,000, with the interest to be paid over 20 years at a monthly rate of $386 per month. With her land as collateral and her daughter's financial contributions to her household, Chloe stated she had no trouble buying the house. However, since that time she has accumulated debts at finance companies and undertaken a home-improvement project that has created difficulty for her.

The New York connection and home construction. In the decades following World War II, thousands of African-Americans left coastal South Carolina for New York and other northern cities in order to obtain better-paying jobs and better opportunities for education. Today that stream of migration flows in the opposite direction—a trend of return migration common for many African-Americans since the 1980s (Stack, 1996). During my fieldwork in the 1970s, many of Ben Gaillard's brothers' children had returned home after living in New York for 5 or 10 years and accruing enough money to build new homes when they returned to Mt. Pleasant.

While conducting fieldwork for this homeownership study, I met several people who had spent most of their working lives in New York and had returned upon retirement to build homes on family land or on property they had purchased. A 60-year-old New York resident, for example, arranged to have her sister's son, a licensed contractor, begin construction on her house so that it would be ready when she retired in a few years.

Home construction: Affordable housing programs. The city of Charleston has several affordable housing programs that include home construction and renovation. These programs are administered by the city government in cooperation with HUD and the Charleston Bank Consortium, a nonprofit organization of area banks that allocate funds for affordable urban housing. Habitat for Humanity International (a nonprofit organization that builds low-income housing) also renovates houses and builds new homes in the city and in rural areas.

Across the Cooper River in Mt. Pleasant, there are no affordable housing programs of any kind. Theoretically, Habitat for Humanity could build or renovate houses in the Mt. Pleasant area, but most of its activity thus far has been concentrated in Charleston and in impoverished rural communities on the islands south of Charleston. However, many people in Mt. Pleasant have heard of Habitat. Two single parents I interviewed had applied for homes to be built on their land; one was placed on a waiting list.

Essentially, the African-American communities of Mt. Pleasant fall outside the bounds of both urban and rural affordable housing programs. Because of the city's proximity to the greater Charleston metropolitan area, the Rural Housing Service (RHS)[3]—the only home construction and improvement program available for rural communities—no longer serves Mt. Pleasant. Prior to 1988 RHS had constructed several homes in the area, primarily for single parents, and had built a modest suburban housing development a few miles north of Mt. Pleasant. In Georgetown County, RHS continues to serve the needs of rural community members. However, according to the supervisor of the Charleston/Berkeley County RHS office, the area's housing needs far exceed the resources of the local offices.

The Rural Housing Service provides mortgages with 100-percent financing at a fixed rate of 7 to 8 percent for 33 years. RHS also makes all of the arrangements for home construction and works closely with homebuyers on financial management and maintenance. Monthly mortgage payments can be readjusted to accommodate changes in household income. Two- or three-bedroom homes usually sell for $40,000, according to two homeowners I interviewed. Families that have incomes at or below the median and own no improved property are eligible for the program. Houses can be built on land bought by RHS or on land owned by the family. In addition to constructing homes in rural areas, RHS has a comprehensive loan and grant program for refurbishing substandard housing and remodeling homes. Persons over 62 years of age are eligible for grants, and individuals with incomes of $12,450 to $23,500 may receive a combination of a grant and a loan with 1-percent interest. Families with higher incomes may obtain home improvement loans.

The critical need for improvement of substandard housing and construction of affordable housing in rural areas was identified by community leaders in both Georgetown and Mt. Pleasant. Twenty-three percent of all rural housing in South Carolina is substandard because of inadequate plumbing or electricity, unsafe water supplies and sewage problems, or rotting structures (Ayala-Davis, 1995). The Service supervisor I spoke with described many situations in which individuals were literally catching rainwater in buckets and floors were dangerously rotted. The supervisor also explained the high demand for RHS assistance:

> They get upset with me when I tell them it might be months or even a year before we can help them, because there are so many people ahead of them on our list. I don't blame them—their needs are so immediate.

The Home Purchase Option

Purchase of existing homes by low- to moderate-income rural families in Charleston and Georgetown counties is rare, for two reasons:

- Few residential homes are for sale in rural areas.
- Even fewer homes are available in the price range that low- to moderate-income families can afford.

In the Mt. Pleasant area, both market constraints exist. Houses in the African-American communities are rarely sold, and in the surrounding suburbs, few developments have houses for sale in the $50,000 to $70,000 price range the community members can afford. In rural areas, and in many suburban areas as well, low- to moderate-income families essentially have been priced out of the housing market. Even in Charleston and its suburbs, the supply of moderately priced homes cannot meet the demand. Real estate agents in Charleston, Mt. Pleasant, and Georgetown say the demand for $50,000 to $60,000 homes is so great that they sell very quickly.

Low- to moderate-income mortgage products. Within the last 2 years, banks in Georgetown and Charleston counties have begun to offer mortgage products designed to facilitate home purchases by low- to moderate-income families. These mortgage products are modeled on the Fannie Mae 3/2 loans, which require 5 percent of the loan value as a downpayment. However, only 3 percent must be derived from earnings; the remaining 2 percent can be a gift, an unsecured loan, or a grant from a nonprofit organization. The money for closing costs, too, may come from a grant or loan. The lending criteria for these loans are more flexible than those for conventional loans.

Most of the local banks also offer courses in financial management and home purchase for individuals who use their affordable mortgage products. Two young people I interviewed, Kathy Clement and Rawlings Frasier, took the courses and found them helpful, although neither was able to purchase a home right away. After taking the course, Kathy and her husband, residents of Mt. Pleasant, learned that the local housing market was too expensive for the maximum purchase amount of $80,000 allowed by the bank. Even though they found several homes they could afford in small towns on the other side of Charleston, they decided against moving away from Mt. Pleasant. Relocating would mean losing the help of Kathy’s family in caring for their four children while she worked. If they lived in another town, or even in Charleston, Kathy would have to pay for childcare or quit her job and stay home. Without her income, the couple could not afford to buy a house.

While the new mortgage products have improved the homeownership rates among low- to moderate-income households in the city of Charleston, the home purchase programs have had little impact in areas with a limited residential market, such as rural Georgetown County, or those in which few moderately priced homes are available, as in Mt. Pleasant.

The Mobile Home Option

According to the 1990 census, mobile-home manufacture is the fastest-growing housing industry in the United States. Since 1980 the number of mobile homes has increased by 57 percent, while single-family homes increased by only 13 percent (U.S. Bureau of the Census, 1994). The South exceeds all other regions of the country in mobile-homeownership, accounting for 52 percent of the Nation’s total. South Carolina ranks first in the growth of mobile homes, with a 92-percent increase during the last decade. The prevalence of mobile homes in the rural South not only reflects the lower incomes of the Southern working class, who have a median income of $19,000 compared with the national median of $29,000, but also underscores the lack of affordable housing in the area. In a region undergoing rapid development, the new housing market is geared primarily toward the comparatively affluent migrants, not the rural, low- to moderate-income families that have been there for generations.

Mobile homes are the logical response to a demand that is not being met by the residential housing market. A single-wide mobile home can be purchased for a little as $27,000. If it is financed at 9 percent over 20 years, the payments will be $243 per month, or 25 percent of a gross monthly income of $972 ($11,644 per year). There are relatively few additional monthly expenses for a household that owns the land and can install a septic tank and a well. A household without land that locates in a mobile home park would pay roughly $100 per month in Georgetown County for electrical hookup and water and sewage services. Purchasing a mobile home is more akin to buying a car than to buying or building a house. The search phase of mobile-home purchase entails comparison shopping among a number of dealers located on Rivers Avenue in North Charleston or along Highway 531 in Georgetown. Financing is handled by the dealership, whose application process and lending criteria are simple and flexible compared with the highly regulated, standardized guidelines of mortgage lenders.

Not only are mobile home dealerships and personnel more familiar to the rural working class, but mobile homes fit comfortably into the culture and lifestyle of that group. They can be installed on land specified by the buyer (even land he or she does not own) in his or her native community, facilitating the continuity of support and services provided by relatives. The benefits of mobile home ownership are offset to some degree by the long-term low return on what amounts to at least a $50,000 investment when financing and interest are included. Mobile homes decrease in value over time and do not endure long enough to be passed on to children. Unlike a well-kept 25- or 30-year-old car, they rarely make interesting or valuable antiques.

Mobile Home Financing. As I sat in a Rivers Avenue mobile home dealer's office—a tiny paneled cubicle with no windows—Mary, a white, middle-aged, casually dressed saleswoman, explained the dealership's lending guidelines and financing options. A downpayment of $1,000 to $3,000 is required, unless land is used as collateral. Although that amount is not much less than the downpayment for some home purchases, the appraisals, points, and closing costs required for most mortgages are not needed for mobile home financing, since the dealers process or originate the loans themselves.

Mobile home financing guidelines accommodate buyers with credit histories ranging from fair to risky. Mary pointed to this factor as the major difference between mobile home financing and conventional home mortgages. The basic criterion employed by most mobile home dealers is the applicant's history of regular payments on a debt of $2,000 or more for longer than one year. Some companies require evidence of payment on as little as $1,000 or as much as $3,000. Late payments or nonpayment of relatively small debts, such as hospital bills or charge accounts, may be forgiven. If customers do not meet the basic criterion, there are three ways they can compensate:

- Make a higher downpayment.
- Arrange a "buy for" loan in which a person with an acceptable credit record becomes the legal owner of the mobile home, with the understanding that the customer is actually making the monthly payments. After a year of meeting the payments in a timely fashion, the customer may re-title the mobile home in his or her name, releasing the original signer from responsibility.

- Provide a co-signer, in which case both signers must have an acceptable credit record and will share responsibility for the debt. This option may be chosen by young couples with little credit history on which to judge risk.

A wide range of finance companies serves the mobile home market, and each has its own guidelines concerning risk. They generally recognize three categories of customers and accord them interest rates of 9 to 11 percent, commensurate with excellent, poor, or fair credit records. At the high end of this scale, for example, the preferred pricing program allows customers with a good credit history to carry a higher debt load (35 to 41 percent) and qualify for the 9-percent interest rate. Mary indicated that her locally owned dealership did not finance customers with very poor credit, although large chain dealerships are often willing to do so.

What is a mobile home worth after 20 or 30 years, and how well does it hold up over time? I wondered about this after touring homes that featured “glamour” bathrooms and kitchens and wallpapered interiors constructed of $^1/_4$-inch Sheetrock and particleboard. Mary answered some of my questions. After Hurricane Hugo ripped mobile homes apart like cardboard boxes in 1989, HUD passed construction guidelines requiring that mobile homes sold in particular “wind zones” be built to withstand 120-mile-an-hour winds. Essentially, this means that studs must be placed closer together, the home must be installed with more tie-downs, and the tie-downs must be lodged more deeply in the ground. How well roofs stand up to ordinary weather conditions and how well floors and walls sustain years of wear varies according to the make, model, and manufacturing company. Mobile home manufacturers, like auto makers, have a consumer index rating that is based on these and other factors.

The community’s view of mobile homes. The community members I interviewed are aware that mobile homes do not hold their value as well over time as do residential homes. They know that the declining value of mobile homes robs households of equity that could be used to further other family goals. For the younger generation, mobile homes have become the marriage house of their parents’ and grandparents’ generations. In a year or two, a young couple can save the $1,000 to $3,000 necessary for a downpayment on a mobile home. With an income of $20,000 or less and little credit history, or even with a poor credit history, they can buy a mobile home and install it on family land. With the help of relatives, a young man can usually install a septic tank, dig a well, put up an electrical post, and connect heating or cooking fuel. If a higher downpayment is possible, an individual deed to the property is not necessary, and the dilemma of heirs property can be avoided.

Over the years, a growing family is likely to modify and expand its mobile home to meet its expanding needs. Rooms and porches may be added; walls knocked out; a new roof installed to cover or replace the original roof; and the exterior bricked up, totally obscuring the modular-home exterior. I know of one mobile home, for example, that looks like a split-level brick home on the exterior. The kitchen and bathroom are the only visible evidence of the original home—a corrugated aluminum single-wide purchased in 1970.

Mobile homes as a stage in the life cycle. Though the lines between residential houses and mobile homes can be blurred by remodeling, none of the people I interviewed thought of a mobile home as their ultimate homeownership goal. Mobile homes were seen as interim housing to be used until the family could build a more permanent home. Mt. Pleasant resident Kathy Clement expressed this view when I asked her about the homeownership options she and her husband had considered. They are currently renting a house in Kathy’s native community.

> I've always wanted a house. If I could have a mobile home, that would be a start. Hopefully, you can go from there and move on into a house. But my main goal is to have a house, because a mobile home decreases in value … and it doesn't make sense to put my money into something that is … a mobile home. It's considered the same thing as a vehicle, an appliance. If I'm going to put my hard-earned money and life savings into something, I want to see that it increases in value.

Similarly, a couple living in a mobile home park in Georgetown hopes to purchase a home from the Rural Housing Service during the coming year. A Mt. Pleasant couple in their mid-30s, also living in a mobile home, expressed a desire to buy a home, though they realize that may never be possible for them. If they cannot buy a home, they plan to renovate and expand their $38,000, three-bedroom mobile home. They have already enclosed the foundation and added a front porch.

During many periods of field work in Mt. Pleasant's African-American communities, I saw couples move from mobile homes to houses they had built over a period of years. As their earnings increased and the financial demands of rearing young children diminished, some couples were able to save enough money to begin home construction. This pattern continues today. For example, two of Ben Gaillard's grandsons, living in mobile homes with their young families, are preparing to build houses on the 10 acres of family land Ben gave to his children. The house that one grandson is building overlooks the sound and the knoll of land where Ben's parents and grandmother built their first house.

The Rental Option

The accepted wisdom among African-American community members of all ages is that renting a house is just "throwing away money." To avoid paying rent, many young couples live with one set of parents until they can afford to build a house or buy a mobile home. Moreover, as noted earlier, there are very few rental properties in rural communities. Kathy Clement, her husband, and their four children recently moved from a $450-per-month apartment in Mt. Pleasant to a $200-per-month rental house in the community where she grew up. Because their annual income was only $30,000 to $40,000, they needed to reduce their rent so that they could save toward buying or building a home. Given the wages of most young couples, spending $400 to $500 per month on rent makes it very difficult to save for a home.

Inheritance

Among the community members interviewed for this study, inheritance of a family home is generally regarded as rent-free, interim housing a family can use while it saves and works toward its particular homeownership goal. Without extensive improvements, older structures built with untreated lumber and exposed foundations usually rot within a few decades because of the humid, semitropical climate and low-lying terrain. In fact, very few of these older homes exist today in their original form; many were lost in Hurricane Hugo. The housing history of several individuals reveals the various uses to which young couples put houses left to them by parents.

Dora Bennett, a 60-year-old African-American woman, had moved into her parents' old house after she separated from her husband. Her parents lived next door in a new home they had built after Dora and her siblings grew up and left home. Dora reared her five children in the house her parents had passed down to her. When they were grown, Dora built a two-story, five-bedroom home with the help of two sons and a daughter.

Dora's son Anthony moved into his mother's old house after she had finished her new one. That way, he and his wife could save money to build a house, rather than continuing to pay rent for an apartment in Mt. Pleasant. They lived in the house until Hurricane Hugo destroyed it. Then they bought a used mobile home to live in while Anthony and his brother built his two-story home. (See Home Construction Mortgages and the Younger Generation, above.)

Harvey and Shirley Williams moved into his parents' old house after they were married. His parents lived on the same plot of land in a new home they had built. After living in the inherited house for several years, the couple decided to buy a home in Mt. Pleasant rather than on family land, because they could not obtain a title to heirs property.

A 60-year-old retired white mill worker lived most of his life in the house he inherited from his parents. He had promised his wife a new home for many years, and when he retired he built it with lumber cut in his sawmill from trees grown on his land.

Older family homes are also used as a means of circumventing the costly, complicated system of inspections and permits associated with new house construction. I know several individuals who, instead of applying for home construction permits, have obtained permits to add to existing structures. One couple, for example, moved back from Florida and built a modern, two-story home around the much smaller frame house that had belonged to the wife's parents. Once the outside walls of the house were completed, they tore the old house down.

Credit Cultures and Credit Practices: Gaps and Barriers Between Banks and Rural, Working-Class Communities

In addition to the cost of housing and the availability of home mortgages, another barrier to homeownership is the cultural gap between banks and rural, working-class communities. Several of the bankers I interviewed were aware of the challenges that culture, class, and race issues pose for banks seeking to extend services to low- to moderate-income households in rural communities.

Clara Jacobs and fellow loan officer Linda Palmer shared with me the following letter from a white customer's grandmother. Linda had requested the letter in accordance with Fannie Mae guidelines stipulating that sources of funds for a downpayment be verified. In this case, the source was the customer's savings, although he did not have a savings account at a bank. The grandmother's letter was dated March 29, 1994:

> To Whom It May Concern:
>
> My name is _______. I am a resident and citizen of Georgetown County, state of South Carolina. I am also the grandmother of _______. It has come to my attention that my grandson's method of handling money does not suit you. My grandson takes most of his practices from me, specifically not placing every dime he has in a bank for someone else to watch over. For years I have maintained a small safe in my home. Both _______ and I routinely use the safe as opposed to the bank to hold our money. For me this makes more sense than showing the world what you have got. Also my safe has never gone bankrupt through foolish management practices. My grandson pays his bills on time. Maybe you should spend more time managing your own affairs. Our country's finances would be much better off.

This letter expresses the antibank, anticredit sentiment common among the older generation of rural southerners. It also reflects the ways in which bank procedures offend the cultural and social sensibilities of community members. Understanding the specific cultural, historical, class, and race issues at work between the bank and the community may help bridge the gap between these two worlds.

Both Linda and Clara grew up in Georgetown, though Linda is much younger than Clara. Clara understood perfectly why her customer's grandmother was offended by the bank's request for a letter of verification. "It's downright embarrassing, some of the things we have to ask people to do to get a loan from the bank," Clara said shaking her head. "That's why Linda is the mortgage loan officer, not me."

Linda, in her late 20s, seemed to take her job in stride. "I have to do it. People do get offended, though. So I spend a lot of time explaining why the bank needs to ask all these questions."

"And some of the questions, you wouldn't believe," Clara added. "They want to know about divorce settlements and alimony payments—things I don't want to know and have no business knowing. This is a small town, you know."

Fortunately for the customers of the bank, Clara and Linda are culture brokers: They share the same culture as their clients, yet understand financial institutions as well. They can judge risk effectively, using their knowledge of traditional cultural patterns of saving, bill-paying, and debt management. Linda, for example, said she never worries about lending money to mill workers, because she knows how conservative most of them—especially the older generation—are about taking on debt.

My interviews with working-class whites and African-Americans over 40 years old corroborated Linda's observations about mill workers. All of the interviewees emphasized the fact that they owned property—land, houses, cars—free and clear. Flora Wilson said that her car, her husband's car, and their house and land are all paid for. A 55-year-old textile mill worker said her husband owned a few credit cards, but kept them locked away and never used them. She owed a total of $300 on her charge accounts at local stores. Similarly, Ike Gaillard, the Mt. Pleasant master plumber mentioned earlier, opted to repay a $20,000 unsecured loan within a few years rather than take on a mortgage, because he felt uncomfortable with long-term debt.

The Knowledge Gap and the Younger Generation

Since the older generation's limited participation in the credit and lending institutions restricts their knowledge of the way these systems work, parents have little experience to pass on to their 20- and 30-year-old children. Nevertheless, the latter are more involved in mainstream consumer society than their parents were. At every turn they are offered the allure of easy credit for the things they want. I asked a young white couple in their 20s, Nesbit and Thelma Lampkins, what they had learned about finance from their parents. Nesbit, a worker at a Georgetown lumber mill, replied, "Not much." Thelma said, "My folks said not to ever buy nothing you couldn't pay cash for. If we did that, we wouldn't have nothing. Everything we've got, we bought on credit." This couple, like many of their contemporaries, learned about the credit system from their own experience. Other young couples I interviewed had taken financial management classes offered by local banks.

When Nesbit and Thelma bought their mobile home, they borrowed $1,000 from a finance company for the downpayment. "That was our first mistake," Thelma acknowledged. The second was to add to the loan amount by borrowing more money. Because of the 29.5-percent interest rate, they had paid $100 per month for 4 years and still had not retired the loan. When they received a credit card with a 6.5-percent interest rate for the first year of use, they transferred the balance of the finance company loan to the card. The couple also makes monthly payments of $470 for two new cars, $50 for two credit cards, $300 for the mobile home, and $100 to rent the space it occupies. Their regular monthly expenses total $920 per month. Nesbit earns $7 per hour, or $1,120 per month, if he works only 40 hours a week; he puts in as much overtime as he can. Thelma stays at home to care for their two preschool children, but has taken minimum-wage jobs in the past to meet monthly expenses. Because of their heavy debt load, the couple was turned down by the credit union for a car loan and by the Rural Housing Service for a home mortgage. Since they usually meet their monthly obligations, the couple did not understand why their applications were turned down.

The college-educated generation is the prime target for easy credit offers and credit cards. Two African-Americans mentioned earlier, Kathy Clement and Rawlings Frasier, had credit problems after they graduated from college. Both are now in their 30s, have spouses, and have learned a lot about homeownership. Looking back on the period of their lives after they graduated from college, Kathy and Rawlings acknowledged their irresponsibility in handling financial matters.

In their efforts to establish good credit since each of them married, both Kathy and Rawlings have taken courses in financial management and homebuying offered by local banks. Kathy kept all of her course materials and refers to them frequently. She and her husband learned how to make out a monthly budget and put money in their savings account every payday. Kathy opened a savings account at a second bank—not the one she uses for checking and monthly bills—so that she will not be tempted to withdraw money by using her ATM card.

As a result of what he has learned from the bank's homebuyer course about budgets, interest rates, and investment, Rawlings gained a new perspective on money:

> I know how to make my money work for me—save and invest. I pay for everything in cash, and if I do use a credit card, it's just for that 30 days. Me and my wife drive old cars … and I know now how to buy stocks and make investments.

When Rawlings acquired a construction/perm mortgage to build his house, he also learned about the importance of paying bills before the due date. He had not realized that a few days mattered until the bank called him on the first due date to see whether there was a problem. Rawlings learned then that paying late could affect his credit rating, since businesses report late payments to the credit bureaus.

Lack of knowledge about the rules of credit systems is common among rural whites and African-Americans. The African-American attorney I interviewed, as well as banker Pauline Brown, pointed out that many of their clients do not understand due dates on bills, interest rates, or the procedures involved in mortgage applications. Like Clara Jacobs and Linda Palmer, Pauline is a culture broker for rural African-American clients. She, too, spends considerable time explaining the questions on loan applications and knows which questions will be most problematic for her clients. Answers to questions about assets, for example, can affect the bank's assessment of a loan application. Because Pauline is from the area and grew up in a rural African-American community, she knows that many people fail to list land as an asset on loan applications. When she asked one client about land, he said he did not mention it because both he and his sister are listed on the title as co-owners. Other clients do not list land on applications because it is heirs property, and they do not realize it can be used as collateral or considered a personal asset.

> Now, when a white banker hears about heirs property, he might say that land can't count as an asset because the title is not clear. But those titles can be cleared up in many cases. So I tell them [loan applicants] how to do it, who will help them do it, and why it is important to get this done.

In the Georgetown area, Pauline has managed successfully to process many loan applications for her African-American clients, including Rawlings Frasier. Before leaving her office, I asked Pauline what factors, in addition to her familiarity with the culture of rural African-American communities, contributed to her success. "I take time to explain things to them, and I'm more sympathetic than a white banker would be. And I don't just send my clients to the mortgage company [in Pawley's Island] either. I go through the process with them."

Lending Institutions: Class and Race Barriers

As Georgetown loan officers Linda Palmer and Clara Jacobs reflected on banking procedures and loan applications that offend or intimidate their rural, working-class clientele, Clara commented, "It's no wonder people go to finance companies.…"

"Do a lot of people use finance companies in Georgetown?" I asked. Linda nodded. "White and black. They'll go to a finance company before even coming to the bank. People with good credit. They don't even think the bank will be interested in their business. Banks are just for the well-to-do—that's the way a lot of people see it."

Perceptions of race and class barriers prevent many African-Americans from applying for bank loans. The first response I received from some individuals when I explained the nature of my project was, "The bank won't loan me money because,…" or "The banks have so much red tape." In addition, the discomfort or anxiety prompted by crossing into the uncertain, racially alien terrain of the bank often prompts African-Americans to do business with finance companies. As Johnetta Langley put it, "You know you're going to get treated with respect when you go to the finance company." When I visited the finance company Johnetta mentioned, I understood what she meant. The senior loan officer, a middle-aged African-American man, greeted customers by name and asked about their families. The bulletin board was covered with newspaper clippings about black athletes at Mt. Pleasant High School and prominent African-Americans. Among the magazines in the waiting area was a 50-page choir program containing page after page of supporters, a veritable portfolio of those who honored the business of their African-American clientele.

The assumption that banks are the domain of the white middle and upper classes is grounded in the experience of rural southerners and the social structure of the Old South. Banks have traditionally protected the interests of planters, landlords, mill owners, coal mine operators, merchants, and lawyers. Several African-Americans over the age of 40 with no credit problems and steady employment had experienced racial discrimination in earlier decades. Two individuals mentioned that they had been denied car loans with no reason except, "We can't help you."

Younger African-Americans receive a variety of responses from banks. "It's a funny thing," Rawlings Frasier noted. "You can go to one bank here. Then you go across the street and get treated different—two branches of the same bank, even." Young African-Americans see white friends with credit records similar to theirs being "given a chance" by white bankers when they themselves have been turned down over and over again. Both Anthony Bennett and Rawlings believe that banks are eager to make car loans to African-Americans but not mortgages—"not [for] something of lasting value like a home," as Anthony put it.

Thirty-year-old Cheryl Wright, an African-American real estate agent in Charleston, said that many of her clients believed home mortgages and the residential housing market were closed to them. Based on her experience at a nationally franchised real estate company, Cheryl understands why her clients feel that they cannot qualify for a home mortgage or even get anyone to show them a house. She has seen her white real estate colleagues tell low- to moderate-income people of both races over the telephone that they would not qualify for a mortgage because of their income. She believes that the real estate agents' assessments often had more to do with the size of their potential commission than the caller's financial situation.

Cheryl, on the other hand, would meet with a prospective home buyer and try to consider all possibilities. She viewed the act of automatically disqualifying individuals based on their income as discriminatory to low- to moderate-income people, regardless of their color. Agents in Cheryl's office often turned callers over to her if the callers were not middle-income buyers, "because they did not want to hassle with them." She has also heard mortgage lenders say to her clients, "What makes you think you can buy a house?" Because of such responses from real estate agents and mortgage lenders, many of Cheryl's clients had come to believe they could not qualify for home financing. "A lot of my clients do not believe they are really going to own a home until the deed is in their hands," said Cheryl. "I have to encourage them and battle their skepticism every step of the way. It makes my job real hard."

Findings and Policy Implications

Homeownership in the rural South may conjure up images of neat frame houses—some grand, some small—nestled under oak trees and surrounded by fields and pastures. Driving along any stretch of rural highway, however, one may see as many mobile homes as houses. And behind many of the neat frame houses sit a mobile home or two. The proliferation of mobile homes in the rural South captures one of the ironies of homeownership in the African-American and white communities targeted for this study: Virtually all homes are owner-occupied, but the advantages usually associated with homeownership do not necessarily follow. Ownership of mobile homes may rob families of resources that could be invested in a residential home, providing equity for their future goals. The limited market options for housing in rural areas, however, make mobile homes a logical choice for low- to moderate-income households.

Another irony revealed by this study is that the most desirable homeownership option—homes built within one's native community—receives the least support from lending institutions and local governments. In fact, individuals manage to build homes in spite of rising costs, local government regulations, and the lack of affordable mortgage products for home construction. Reliance on family and community resources, such as land and in-kind labor, makes this ongoing tradition of self-built homes possible. At the same time, however, participation in an informal economy based on trust and reciprocity between family and community members may contribute to the cultural dissonance individuals experience in their interactions with banks governed by impersonal, computer-driven credit systems and market forces. In addition to the class and cultural divide between rural communities and banks, African-Americans must also cross a color line in their interactions with most loan officers.

Housing and Community Initiatives

During the past two decades of my research on the coast of South Carolina, many changes have occurred in Mt. Pleasant's African-American communities as a result of urban-industrial development. Drugs have become a problem, as they have everywhere. Crimes such as robbery and murder, while infrequent, do occur, making individuals feel less safe. There are more single parents in the under-30 generation, compared with previous generations. Some plots of family land have fallen into the hands of land speculators through sheriffs' sales for back taxes. And some people—particularly single parents and elderly residents—are scarcely better off economically than renters, because they live in mobile homes or in substandard housing they cannot afford to improve.

Yet there are many strengths sustaining rural communities even as they are transformed by larger economic and social forces. During this last period of fieldwork, I met young, college-educated men and women who have returned to their native communities to build homes and rear their families. They expressed a strong desire to provide a safe and healthy environment for their children and to preserve the history and culture handed down for generations in their communities. In Mt. Pleasant, for example, the African-American community bordering Highway 17 successfully blocked commercial zoning by arguing that their community is a historic landmark perpetuating unique traditions such as basketmaking that have become part of the State's economy and its cultural legacy.

Also testifying to the strengths of rural communities targeted for this study are the initiatives community members have taken to provide for their own housing needs. As a matter of course, those members with home-improvement and construction skills are called upon to help with home repairs, particularly for the elderly. Organizer Johnetta Langley is seeking community reinvestment funds from local banks to make home improvements for elderly and low-income members of her church. I also learned of a licensed builder who has attempted to obtain financial backing to build houses to sell to low- to moderate-income families. Similarly, Rawlings Frasier of Georgetown has organized a nonprofit housing group whose goal is to buy land and build an affordable housing development within one of the county's rural African-American communities.

Opportunities for Lenders in the Rural South

Such initiatives toward improving housing options for low- to moderate-income families provide opportunities for local banks to forge profitable partnerships with rural communities. Financial institutions stand to gain new business by expanding their mortgage lending and community reinvestment programs to include products that meet the housing needs of rural working-class people. The creation of affordable home construction mortgages, for example, would provide crucial financial support for the tradition of self-built homes practiced so widely in the rural South. Banks, in partnership with community nonprofit groups, could provide funds for community-based builder-contractors to assume an entrepreneurial role of providing affordable housing within their own communities.

In addition to the development of local housing initiatives and mortgage lending targeted for rural home construction, consideration should also be given to the culture, class, and race barriers that exist between community members and lending institutions. Many banks have begun to address these obstacles through community outreach education programs. However, as this study indicates, the gap between banks and underserved rural communities is not due solely to a lack of information that can be remedied through education. Cultural and experiential differences also contribute to misunderstanding and mistrust between bank employees and community members. Bridging this divide requires an awareness of, and respect for, cultural differences on the part of bank personnel.

Culture brokers and banking and housing professionals who are familiar with rural southern cultures are crucial to the process of increasing mortgage lending among the underserved rural working class, both white and African-American. As this study demonstrates, culture brokers make a significant difference in African-Americans' experiences with, and perceptions of, local lending institutions. In South Carolina, banks are just beginning to realize the financial benefits of employing culture brokers in decisionmaking positions in order to enhance their ability to work with the rural communities of a predominantly rural State.

Author

Kate Porter Young earned her Ph.D. in anthropology from Rutgers University and has spent more than 20 years engaged in ethnographic fieldwork in African-American communities on the coast of South Carolina. She has published scholarly articles on marriage, the family, household economics, and political economy in this region of the American South. She is the director of the Little River Family Resource Center in Bahama, North Carolina, and is writing a novel based on her many years of South Carolina fieldwork.

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Notes

1. Thirty-five percent of Charleston County's 300,000 residents are African-American.

2. The Porchers, the family that owned the plantation, still owns the land today.

3. Formerly the Farmers Home Administration.

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