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While bank investment is a driving force behind neighborhood viability, few studies have directly examined the effects of bank loan practices on neighborhood crime rates. This paper proposes that variation in residential bank loans helps explain the higher rates of homicide in minority neighborhoods in Chicago compared to white neighborhoods. It finds that black and Latino neighborhoods would experience fewer homicides if more financial capital were infused into these neighborhoods. These findings suggest that neighborhoods are shaped profoundly by the decisions of external economic actors.

The contemporary economic recession illustrates that the actions of the banking industry have serious consequences for the world's communities (Bremmer and Roubini 2009; Davis 2009). The financial crisis has also put a spotlight on residential loans. In the United States, predatory subprime loans, which played a central role in creating the economic turmoil, are highly concentrated in minority and low-income communities (Woodstock 2008, 2009). Concern has been expressed that the global financial crisis will be particularly harmful to places that are poor and marginalized and that have large shares of people of color. These observations suggest the interconnections between banking, race, and economic conditions. What do criminologists have to say about these connections? At the very least, we would like to know if the amount of bank investment influences local crime rates. I begin by assessing the impact of levels of mortgage lending on homicide rates across neighborhoods in one U.S. city (Chicago). Given that crime is higher in minority neighborhoods, I pay particular attention to the role of bank mortgage allocation in producing racial differentials in violence (Krivo and Peterson 1996; Krivo, Peterson and Kuhl 2009; McNulty 1999; McNulty and Holloway 2000; Pattillo-McCoy 1999; Peterson and Krivo 2005, 2009a, 2009b; Sampson and Wilson 1995; Shaw and McKay 1942, 1949; Wilson 1987, 1996).

Bank loans are a promising area of investigation for criminologists because the actions of banks are a driving force shaping neighborhood viability (Garmaise and Moskowitz 2006; Kim 2000; Massey and Denton 1993; Skogan 1990; Smith, Caris, and Wyly 2001; Squires and O'Connor 2001). Neighborhoods that receive few bank loans are unable to build new housing, repair dilapidated housing, recruit new home buyers, sustain existing businesses, or attract new businesses. These conditions lead to neighborhood depopulation, decline in local economic opportunities, weakening of local social ties, and deterioration of community institutions like schools and churches. All of these developments, in turn, would be expected to heighten crime. Gregory Squires and Charis Kubrin (2006) evaluate this possibility with an analysis of Seattle neighborhoods in 2000. They find that an increased rate of conventional loans for single-family homes directly reduced neighborhood levels

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of crime. This phenomenon is especially consequential for minority, immigrant, and low-income communities in the United States and elsewhere, which share limited access to financial capital and histories of community disinvestment (Aalbers 2005; Bolt, van Kempen and van Ham 2008; Fuller and Mellor 2008; Immergluck 2002; Massey and Denton 1993; Peterson and Krivo 2009b; Squires and O'Conner 2001). There is considerable evidence that minority neighborhoods in the United States receive fewer loans and fewer loan dollars than white neighborhoods even after adjusting for neighborhood economic conditions (Dedman 1988; Farley, Danziger, and Holzer 2000; Holloway and Wyly 2001; Metropolitan Chicago Information Center 2007; Squires and O'Connor 2001). Research from the United Kingdom also indicates that older low-income neighborhoods with devalued housing stock experienced redlining, in which funds for housing and home buying are diverted or not allocated (Pacione 2005).

By focusing on the role of lending in shaping differences in lethal violence across minority and white neighborhoods, I hope to contribute to the literature on the link between race and crime that has taken center stage recently in the field of criminology (Krivo and Peterson 2005; Krivo, Peterson, and Kuhl 2009; Peterson and Krivo 2009a, 2009b). To explain the racial disparity in crime rates, most researchers focus on the disadvantaged status and accompanying crime-producing conditions of African American neighborhoods. Compared to white neighborhoods, for instance, black neighborhoods are more likely to have high poverty rates, public housing projects, underfunded schools, weak local institutions, and to be spatially proximate to other poor neighborhoods (Krivo and Peterson 1996; McNulty and Holloway 2000; Pattillo-McCoy 1999; Sampson and Wilson 1995; Wilson 1987, 1996). Yet such an approach typically finds that the minority-white gap in neighborhood crime, especially violent crime, cannot be explained completely even after a variety of conditions are taken into account (Fitzgerald and Carrington 2008; Krivo and Peterson 1996; McNulty and Holloway 2000; Peterson and Krivo 2009a, 2009b). Thus, I am proposing that because bank loans are a site of racial inequality, their inclusion in crime models will move us toward a more complete explanation of the link between race and crime.

Highlighting the relevance of bank lending practices to criminological processes helps to broaden our conceptualization of macro-level processes. Most community and crime research has focused on intra-neighborhood dynamics such as ties among neighbors or collective efficacy to understand how communities control crime (e.g., Bellair 1997; Sampson, Raudenbush and Earls 1997; Warner and Rountree 1997). This leads to viewing high crime rates largely as a result of the inability of residents within a neighborhood to organize collectively against crime. But a growing number of criminologists draw upon insights from urban political economy to argue that the actions of political and economic elites historically and currently have created conditions that cause minority neighborhoods to have more crime than white neighborhoods (Bruce, Roscigno and McCall 1998; Bursik 1989; Bursik and Grasmick 1993; Feagin 2001; Hirsch 1983; Logan and Molotch 1987; Massey and Denton 1993; McNulty and Holloway 2000; Mears and Bhati 2006; Morenoff et al. 2001; Peterson and Krivo 2009a, 2009b; Smith et al. 2001). For instance, city elites almost always place public housing in poor and minority neighborhoods, which do not have sufficient leverage to organize effectively against such initiatives. As a result, these already poor communities experience an increased concentration of poverty, residential instability, and violence (Bruce et al. 1998; Bursik 1989; Massey and Denton 1993; McNulty and Holloway 2000). By focusing on bank loans—resources allocated by outside economic actors—this study seeks to further our understanding of how macro-criminological processes result in part from decision making that is external to the neighborhood affected by crime. Such a perspective reminds us that neighborhoods are not islands unto themselves, but are embedded within a larger political and economic context.

1. Neighborhood Research on the Link between Race and Crime

Contemporary research on race and crime largely draws on the American experience. Community and crime researchers argue that differences in crime rates between minority and white neighborhoods can be explained largely by the stark differences in their relative levels of structural disadvantage (Almgren, Guest, Immerwahr and Spittel 1998; Fitzgerald and Carrington 2008; Krivo and Peterson 1996; 2009; McNulty 1999; McNulty and Holloway 2000; Peterson and Krivo 2005, 2009; Shaw and McKay 1942, 1949;

Sampson and Wilson 1995; Shihadeh and Shrum 2004; Wilson 1987, 1996; Wooldredge and Thistlethwaite 2003). Most researchers focus on the social isolation generated by contexts of concentrated disadvantage, which in turn is associated with several major community characteristics that make crime more prevalent. Disadvantaged contexts, for instance, lead to indicators of diminished community social organization like weak ties between neighbors and low levels of collective efficacy (Bellair 1997; Sampson et al. 1997). Moreover, in disadvantaged contexts, cultural adaptations like ghetto-related behavior or the code of the street make violence more likely (Anderson 1999; Wilson 1996). The current thinking is that neighborhood disadvantage inhibits community social control and produces cultural adaptations, which together increase crime. Because minority neighborhoods are more disadvantaged, this process should be particularly salient for explaining their relatively high incidence of crime.

Lauren Krivo and Ruth Peterson (1996), for example, assessed the impact of disadvantage on property crime rates for white and black neighborhoods in Columbus, Ohio. They found that there were no significant differences in property crime rates in black versus white neighborhoods once levels of disadvantage were taken into account. Similarly, Robin Fitzgerald and Peter Carrington (2008), in a study of neighborhoods in Winnipeg, Canada, found a strong positive relationship between the proportion of Aboriginal residents and crime levels. They also found that socioeconomic disadvantage and residential mobility account for a large measure of the link between race and crimein Winnipeg neighborhoods.

While in some cases the link between race and crime can be accounted for by disadvantaged status and its accompanying crime-producing conditions, this is not always true for violent crimes. Krivo and Peterson (1996) found that in both low- and high-disadvantaged areas, predicted violent crime rates were higher in African American than white neighborhoods. Similarly, Thomas McNulty and Steven Holloway (2000) were unable to explain away the race effect for robbery rates in Atlanta even after adjusting for neighborhood disadvantage and proximity to public housing. To make sense of this finding, most community and crime scholars have interpreted the residual race effect as reflecting unmeasured structural factors, such as underfunded schools, spatial proximity to disadvantaged areas, or cultural adaptations like the code of the street (Alba, Logan and Bellair 1994; Krivo and Peterson 1996; McNulty and Holloway 2000; Pattillo 1998; Pattillo-McCoy 1999; Peterson and Krivo 2009a, 2009b; Shaw and McKay 1942, 1949).

2. The Role of Bank Loans

An important factor missing from research on neighborhood crime rates is the external resources allocated by economic officials to neighborhoods. Among the key external resources are residential bank loans. Residential loans include monies for multifamily building purchases, home improvement, refinancing, and conventional and government-subsidized purchases of single-family dwellings. An infusion of residential bank loans should inhibit or at least curtail a spiral of neighborhood decline. In particular, neighborhoods that receive few loans embark on a trajectory of physical decline and abandonment which some research suggests culminates in heightened levels of crime and victimization (Massey and Denton 1993; Skogan 1990; Squires and Kubrin 2006). Without loans there are not enough resources to refurbish housing and building stock, leading to their deterioration. The neighborhood becomes characterized by abandoned houses, broken windows, litter, graffiti, and other indicators of physical decline. This physical disorder is associated with crime directly and indirectly (see Kelling and Coles 1996; Markowitz et al. 2001; Sampson and Raudenbush 1999; Skogan 1990; Taylor 2001; Wilson and Kelling 1982).

In addition, an infusion of bank loans should facilitate a community's ability to control crime, through a process referred to as public social control (Bursik and Grasmick 1993; Squires and Kubrin 2006; Veléz 2001). Researchers who study public social control have found that neighborhoods with strong ties to the police and local public officials benefit from more informal social control (Silver and Miller 2004) and less household and personal victimization. This is the case especially in disadvantaged neighborhoods (Veléz 2001). External ties are thought to help neighborhoods secure external resources, which may lead to more bank loans, better police protection, city-sponsored greening projects, and the like.

Unfortunately, many of these studies are unable to measure the external resource in question. By contrast, this study assembles bank lending data for each neighborhood to test these hypotheses. An infusion of loan monies should reduce crime because it sets in motion processes that stimulate the community control needed to reduce crime. For instance, loans provide incentives for residents to move into and stay in the neighborhood, because they allow the purchase, repair, and refinancing of homes. Loan monies should facilitate residential stability by encouraging residents to invest further in their neighborhood (Squires and Kubrin 2006). Residential stability also stimulates community participation in neighborhood activities like neighborhood watch associations, and this participation in turn allows such organizations to lobby more effectively for additional external resources (Campen 1992; Dawley 1992; Medoff and Sklar 1994; Metzger 1992; Rabrenovic 1996; Rooney 1995). For instance, Duncan Fuller and Mary Mellor (2008) document a community organization whose primary purpose was to increase financial empowerment for a low-income community which had experienced major financial disinvestment. Strategies included providing debt counseling, delivering business advice, and offering basic banking accounts.

An infusion of residential bank loans should also improve the economic situation of a neighborhood, thereby reducing crime. As William Julius Wilson (1996) points out, a major reason for high crime and other deleterious outcomes in inner city neighborhoods is their high male joblessness (see also Krivo and Peterson 1996). External resources can expand local economic opportunities in a variety of ways. Residential bank loans, because they help neighborhoods improve their physical appearance, provide incentives for businesses to move to or stay in disadvantaged neighborhoods. Bank loans also help a neighborhood maintain its population base by encouraging people to purchase or fix up their homes, which creates and helps sustain a business's customer base. By expanding employment opportunities, an infusion of loans should offer a lucrative alternative to criminal activity as well as create an environment that encourages existing businesses to stay and new businesses to start. In sum, an investment by banks in a neighborhood should reduce lethal violence by reducing physical disorder, increasing public social control, and expanding employment opportunities.

3. Determinants of Mortgage Lending

In order to more fully explicate the role of bank lending in understanding the association between race and crime, it is important to examine how lending varies across neighborhoods. The large body of work that examines mortgage lending in urban contexts highlights the role of two key determinants for its uneven distribution. One factor consistently associated with variation in bank lending is neighborhood racial composition, which is often measured as the percentage of African American or Latino inhabitants in a given census tract. Race matters at both the macro and micro level. Research indicates that banks allocate more loans and more loan dollars to white neighborhoods than to minority neighborhoods, even after controlling for important economic factors. Gregory Squires and Sally O'Connor (2001), for example, find that majority-minority neighborhoods received a very small percentage of loans and loan dollars relative to areas that were predominantly white. Another study shows that banks in Detroit were about three times more likely to make mortgage loans in white census tracts compared to economically comparable black tracts (Farley, Danziger, and Holzer 2000). Elvin Wyly and Steven Holloway's analysis of moderate income census tracts in Atlanta during the early 1990s (1999) finds that conventional home purchase loans are made significantly more frequently in white than in black neighborhoods (see also Dedman 1988; Holloway and Wyly 2001). At the micro level, Alicia Munnell et al. (1996) analyzed data collected by the Federal Reserve Bank of Boston to find that blacks were more likely to have a mortgage loan application denied, even with important controls for default risk and loan characteristics (see also Holloway 1998; Squires and O'Connor 2001). Other work finds that minority applicants have a harder time getting a mortgage loan if the property is located in a white neighborhood, suggesting that white neighborhoods are harder for minorities to access for housing (Ezeala-Harrison et al. 2008; Holloway 1998). Minorities who apply for loans in majority-black neighborhoods do not experience such lending disadvantages.

The second factor associated with variation in lending is socioeconomic status, which is often measured by the percentage of inhabitants below the poverty line or the median housing values in a given census tract. Mortgage lending tends to be more frequent in well-established middle- to upper-class

neighborhoods. For instance, in a study of Milwaukee census tracts, Squires and O'Connor (2001) examine the differences in mortgage lending activity between poor, devalued neighborhoods (what they term target areas) and other neighborhoods. They find persistent gaps in conventional mortgage lending, with fewer loans and dollars allocated to target areas compared to other parts of the city. They also find that target census tracts had significantly higher loan denial rates than non-target areas.

It is important to note that these studies conceptualize mortgage lending as a *resource* that benefits communities. As discussed earlier, infusions of home loans contribute to neighborhood viability. Yet the current financial crisis in the United States highlights the problems created by a different type of mortgage lending—predatory and subprime—especially for poor and minority communities. These mortgage practices prey on poor and minority communities, making their members pay more for lending capital than their affluent and white counterparts (Allison and Mayo 2005; Woodstock 2009). Their higher risks are associated with higher foreclosure rates, which contribute to neighborhood decline through property vacancies, loss of equity, depopulation, lower housing values, and crime. For instance, Dan Immergluck and Geoff Smith (2006) found that foreclosures translated into increases in violent crime in neighborhoods in Chicago. Predatory and subprime loans are disproportionately clustered in poor and minority communities, which are particularly vulnerable to neighborhood decline. Because housing loans are expected to bolster neighborhood viability, especially for minority communities, it is particularly important to understand the impact of lending on these neighborhoods.

4. Data and Methods

The early to mid-1990s marked a peak of violent crime and subsequent public concern in Chicago, along with the rest of the United States. Chicago has been the subject of long-standing theoretical interest in criminological and urban sociological processes (Sampson et al. 1997; Shaw and McKay 1942; Wilson 1987, 1996). It is also diverse across race and class lines, making it an appropriate site for studying the relation of race and crime. Furthermore, Chicago is an ideal setting for examining the distribution of residential bank loans because some of its neighborhoods and organizations have been at the forefront of challenging biased bank lending practices.[1] I utilize data from archival and secondary data sources, which I will outline while discussing the measurement of variables.

Community and crime researchers use a variety of geographical markers to denote neighborhoods, such as police beats, neighborhood clusters, and census tracts. I have used census tracts, which cover smaller geographical areas than police beats or neighborhood clusters. The average population of a census tract in Chicago is 3,466 residents. There are a total of 865 census tracts in Chicago, but the sample here is limited to census tracts with at least 100 residents, a total of 786 census tracts.

4.1. Variables and Measures

4.1.1. Dependent Variable

Homicide. Homicides, an important indicator of neighborhood violence, are the most accurately reported crime (Morenoff et al. 2001). I conceptualize homicide as a count rather than a rate variable, because most neighborhoods in Chicago have few if any homicides. In this sample, 220 neighborhoods (28 percent) had zero homicides during 1993–1995. Moreover, when the population size of an aggregate unit is small relative to the offense rate, the homicide rate must be computed from a small number of crimes, making it inappropriate for least squares analysis (Kubrin and Weitzer 2003; Osgood 2000). To ease interpretation, I follow D. Wayne Osgood (2000) and include the natural logarithm of the size of the population at risk and fix it to one. This makes the negative binomial regression an analysis of rates

1 For instance, in the 1970s the Citizens Action Program made community reinvestment a major theme (Squires et al. 1987). Their actions were critical in getting Congress to pass the Community Reinvestment Act of 1977 and the Home Mortgage Disclosure Act. This group (now known as the National Training and Information Center) continues to pressure bank officials to ensure equitable lending. Recently, the National Training and Information Center coordinated the Illinois Coalition Against Predatory Home Loans, which led to the passage of anti–predatory lending legislation in 2003 and the City of Chicago Anti–Predatory Lending Law (the first such municipal law in the country). Predatory practices include engaging in deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding about loan terms (Housing and Urban Development 2007).

of events per capita, rather than a counts model. *Homicide per capita* rates represent the number of homicide incidents per capita in a three-year period (1993–95). The homicide data are based on police reports of homicide incidents, which were geo-coded based on the address of the incident. These homicide incidents were then aggregated to the census tract to capture the total number of homicides occurring in each census tract during the three-year period. The data were downloaded from the Chicago Homicide Data Set at the ICPSR data archive and were collected originally by Carolyn and Richard Block (1998). The homicide per capita rates for each census tract include cases of non-negligent manslaughter but exclude deaths from injuries inflicted by police or other law-enforcement agents (see Morenoff et al. 2001).

4.1.2. Independent Variables

Residential loans. I operationalized residential bank loans in two ways. First, I examine the total *dollar* amount of residential loans allocated to each census tract in 1992 (in millions). Second, I capture the total *number* of loans allocated to a census tract for single to multi-family, home-improvement, refinancing, and conventional purchases, as well as loans made through the Veterans Administration and Federal Housing Administration. Because the measure includes a wide array of home mortgages, it functions as a global indicator of how much lending is taking place in a community. These data are taken from the 1992 issue of the *Community Lending Fact Book,* published by the Woodstock Institute, a nonprofit agency that tracks the lending practices of Chicago banking institutions using home mortgage disclosure data. The data are made available by the Home Mortgage Disclosure Act, which requires most American financial institutions to maintain and annually disclose data about home purchases, home purchase pre-approvals, home improvement, and refinance applications involving 1- to 4-unit and multifamily dwellings. Note that the above bank lending variables are treated as both dependent and independent variables. I conceptualize them primarily as independent variables because the theoretical premise in this paper is that their uneven distribution across neighborhoods is consequential for variation in homicide.

To take into account that the effect of home loan investment on homicide may be spatially embedded, I compute spatial lags for the two lending variables. More formally, the spatial lag is:

$$\sum_j w_{ij} s_j ,$$

where w_{ij} is an element of row-standardized spatial weights matrix, and s_j is the total loan rate in each census tract's neighbors as identified by the spatial weights matrix (Anselin 2003). Subscript *i* refers to a particular census tract; subscript *j* refers to the census tract's neighbors. The spatial weights matrix defines the range of interaction across space. The range of interaction is based on the first-order rook contiguity spatial weight matrix which defines the observations that share common boundaries as neighbors, which should capture the likely "reach" of bank resources represented by the measures of lending activity.

Racial composition. The central independent variable of interest is racial composition. Using 1990 Census data (STF 3A), I created three dummy variables for majority Latino, majority African American, and racially heterogeneous neighborhoods. Majority *African American* neighborhoods are census tracts that are at least 50 percent African American (coded one; zero otherwise). This makes up 40 percent of the sample. I consider neighborhoods to be *majority Latino* if they are at least 50 percent Latino (coded one; zero otherwise). Fourteen percent of sampled neighborhoods are majority Latino. *Heterogeneous neighborhoods* are census tracts in which "other" racial groups (for example, Asian Americans) make up the majority; or Latinos, whites, or African Americans make up less than 50 percent of the population (coded one; zero otherwise). Such neighborhoods make up 7 percent of sampled neighborhoods. The reference category, *majority white neighborhoods*, which make up 39 percent of the surveyed neighborhoods, are places in which more than 50 percent of residents are white (coded one, zero otherwise).

Neighborhood-level controls. I control for six neighborhood characteristics. Drawing on previous research (e.g., Krivo and Peterson 1996), I constructed a concentrated disadvantage index by standardizing (converting to z-scores) and summing the following indicators for each census tract: (1) the percentage of households with incomes below the poverty line; (2) the percentage of persons age 16 and older employed in professional and managerial occupations (reverse-coded);

(3) the percentage of households that are female-headed; and (4) the percentage of civilian non-institutionalized males age 16 and older who are either unemployed or not in the labor force. Data for these indicators are from the 1990 U.S. Census of Population and Housing, Summary Tape File 3A.

As another measure of socioeconomic status, I adjust for median housing values in a given census tract. Data for this indicator are from the 1990 U.S. Census of Population and Housing, Summary Tape File 3A.

The residential stability index standardizes and sums values for two factors: (1) the percentage of a census tract's population five years of age or older who stayed in the same residence between 1985 and 1990; and (2) the percentage of dwelling units that are owner occupied (alpha = .68). Data come from the 1990 U.S. Census of Population and Housing, Summary Tape File 3A. Housing units is the number of housing units in a census tract (1990 U.S. Census, STF 3A).

The final two controls measure additional aspects of homicide by neighborhood. First, prior homicide rates are measured with the three-year average homicide rate (1988–90) per 1,000 population in a neighborhood. I control for prior homicide as a way to absorb some of the processes that led to past variation in homicide among neighborhoods. Doing so allows me to better determine the effects of lending and other variables on current homicide levels. Homicide data were obtained from the Chicago Homicide Data Set as discussed above. To take into account that homicide may be spatially embedded, the second measure is a spatial lag of the homicide per capita rate that captures the homicide count of surrounding communities for a focal community. I utilize the same weighting strategy as discussed above for the two lending measures so as to capture the likely "reach" of violence in focal and proximate communities.

4.2. Analytic Strategy

I first assess the impact of racial composition on neighborhood distributions of bank loans to determine the extent of racial inequality. Disadvantaged and minority neighborhoods are expected to experience gaps in home mortgage lending compared to their more affluent and white counterparts. I then examine the effect of racial composition and all independent variables except residential bank loans on neighborhood homicide levels. This analysis demonstrates the extent to which black and Latino neighborhoods experience higher levels of violence than white neighborhoods before bank loan distribution is taken into account. Last, I estimate the role of bank loans in reducing neighborhood homicide per capita rates and to what extent they help explain the racial disparity in crime.

I examine loan (number) and homicide per capita rates using negative binomial regression, the appropriate technique to employ in the presence of over-dispersion (Kubrin and Weitzer 2003; Long 1997, Morenoff et al. 2001; Osgood 2000). In presenting the regression findings I also considered the potential effects of multicollinearity. The variance inflation factors do not exceed four in any equation, indicating multicollinearity does not exceed typical levels of concern (Belsey, Kuh and Welsch 1980).

5. Findings and Discussion

5.1. Descriptive Statistics

Table 1 provides mean and standard deviation for all variables across all neighborhoods as well as majority white, black, and Latino neighborhoods in Chicago. It is clear that there are important differences in the substantive and control variables across neighborhood racial composition. African American and Latino neighborhoods average more than six and three homicides, respectively, while white neighborhoods have on average less than one. The spatial lag of homicide shows that minority neighborhoods are much more likely than white neighborhoods to be surrounded by neighborhoods with high levels of homicide. Also important is bank loan distribution. White neighborhoods received on average more than $12 million in loans compared to about $1.5 million in African American neighborhoods and about $3 million for Latino communities. Similar disparities prevail in the number of residential bank loans allotted to communities. African American and Latino neighborhoods received, on average, 25 and 39 loans, respectively, while white neighborhoods received 114 loans. A further indication of racial gaps in lending is that minority as compared to white neighborhoods are much more likely to be embedded in seas of little lending activity (spatial lags for loan variables). These racial differences are both substantively large

and statistically significant, revealing that minority neighborhoods are at a tremendous investment disadvantage in at least one large city in the United States. No doubt some of this racial disparity in lending is due to the class disadvantage of minority neighborhoods. To separate out class from race statistically, I turn next to the multivariate findings.

Table 1: Neighborhood means and standard deviations (in parentheses)

	All (N=786)	White (N=306)	Black (N=313)	Latino (N=110)
Homicide count	3.537 (4.904)	.908 (1.800)	6.125* (5.556)	3.200* (3.076)
Spatial lag of homicide	3.380 (3.213)	1.375 (2.023)	5.582* (3.312)	3.042* (2.031)
Residential loans ($1,000,000)	6.241 (9.252)	12.294 (11.972)	1.484* (2.511)	2.921* (2.491)
Spatial lag of loan dollars	5.721 (7.563)	11.460 (9.736)	1.646* (1.882)	2.681* (1.712)
Residential loan numbers	63.987 (73.505)	114.578 (89.773)	24.760* (29.036)	39.009* (28.556)
Spatial lag of loan numbers	58.720 (59.062)	106.008 (67.918)	26.363* (24.437)	34.588* (17.913)
Majority African American	.398 (.490)	–	–	–
Majority Latino	.140 (.347)	–	–	–
Heterogeneous	.073 (.260)	–	–	–
Majority white	.389 (.488)	–	–	–
Concentrated disadvantage index	.000 (3.304)	-2.630 (1.476)	2.623* (3.142)	.329* (1.894)
– Extreme poverty (%)	.181 (.385)	.000 (.000)	.383* (.487)	.164* (.372)
– Male joblessness (%)	40.289 (17.337)	28.327 (8.229)	55.750* (15.237)	32.944* (8.639)
– Female-headed families (%)	13.190 (12.852)	3.791 (2.994)	22.909* (14.077)	13.644* (7.600)
– Professionals (%)	12.783 (10.939)	19.854 (12.704)	8.134* (6.646)	6.198* (3.939)
Median housing values	91.327 (83.603)	136.521 (104.226)	57.278* (48.244)	56.861* (25.190)
Residential stability index	.000 (1.740)	.287 (1.982)	.205* (1.625)	-.537* (.814)
– Owner occupied housing (%)	40.182 (24.532)	51.385 (24.348)	34.604* (24.928)	32.520* (13.011)
– Same residence in last five years (%)	55.264 (14.642)	52.776 (16.303)	61.587* (12.291)	51.973 (7.816)
Prior homicide rate	.370 (.545)	.113 (.401)	.650* (.603)	.348* (.424)
Housing units	1414.770 (1101.812)	1701.990 (1276.59)	1169.220* (866.127)	1100.320* (673.993)

* Significant difference in means of black or Latino neighborhoods from white neighborhoods.

5.2. Multivariate Findings

Table 2 predicts the distribution of residential loans across Chicago neighborhoods during the early to mid-1990s. This analysis assesses the extent of racial inequality in bank lending practices after economic conditions are taken into account as well as other potential predictors. Table 2 shows substantial racial disparities in residential bank loans. Compared to white neighborhoods, black neighborhoods are awarded on average $2.4 million less than white neighborhoods. There is no significant difference in dollars allocated between Latino and white communities.[2] When examining the number of loans, black and Latino communities receive fewer loans than their white counterparts. Note the stark disparities in the distribution of bank loans despite rigorous controls for concentrated disadvantage, median housing values, prior homicide rates, and the spatial diffusion of lending. This pattern is consistent with historical and contemporary accounts of the lending practices of banks in black and Latino neighborhoods (Ezeala-Harrison, Glover and Shaw Jackson 2008; Massey and Denton 1993; Squires et al. 1987; Squires 1994). In addition, this finding parallels research that has shown that minority individuals are disadvantaged in interactions with banks. Minorities, for instance, are less likely to receive bank loans and more likely to pay higher mortgage rates than whites after adjusting for socioeconomic factors like credit records and neighborhood status (Allison and Mayo 2005; Holloway and Wyly 2001; Munnell et al. 1992; Squires and O'Connor 2001). While this study cannot demonstrate that racism accounts for these lending gaps, the vast literature on this subject shows the meaningful role of racism in the underallotment of funds to minority neighborhoods. More generally, my argument is consistent with discussions of institutional or systemic discrimination—that is, racial inequality that results from the normal operation of societal institutions—in many other sociological domains such as physical and mental health (Nazroo 2003; Williams 1999), housing (Massey and Denton 1993), and everyday activities such as shopping and going to work (Feagin 2001). The next set of analyses will assess the extent to which this racialized context of lending is consequential for the racial patterning of homicide.

Table 2: OLS and negative binomial regressions with robust standard errors of residential loans on racial composition and controls (N=786)

	Residential loans ($)	Residential loans (#)
	b (se)	b (se)
Racial composition		
Majority African American	-2.408*** (.481)	-.493*** (.091)
Majority Latino	-.727 (.444)	-.262** (.076)
Heterogeneous	-1.803*** (.549)	-.243* (.107)
Controls		
Concentrated disadvantage	.069 (.093)	-.147*** (.022)
Median housing values	-.029** (.007)	-.001 (.001)
Residential stability	.463** (.162)	.036 (.051)
Prior homicide	.439 (.279)	-.047 (.103)
Housing units	.002*** (.000)	-.000** (.000)
Spatial lag	.001*** (.000)	.003*** (.001)
Constant	-2.080***	-4.014**
R2	.739	...
Chi square	...	1438.20***

Note: * p < .05, two tailed; ** p < .01, two tailed; *** p < .001, two tailed

Table 3 provides findings for homicide per capita rates. As expected, Model 1 shows that minority neighborhoods have higher rates of lethal violence compared to white neighborhoods, controlled for concentrated disadvantage and other factors. Specifically, African American and Latino neighborhoods are almost five and two times more likely, respectively, to experience a homicide than white neighborhoods, holding all other variables constant.[3] Put differently, the statistically significant coefficient of 1.607 indicates that African American neighborhoods have a 399 percent higher per capita rate of homicide than white neighbor-

2 It is important to note that Latino communities are allocated significantly fewer loan dollars than white neighborhoods before median housing values are entered into the models. The effect becomes non-significant when median housing values are adjusted.

3 Factor changes in the expected per capita rate for negative binomial regressions are computed by taking the absolute value of the exponential of the unstandardized coefficient, i.e., exp(1.607); see Long 1997; Osgood 2002.

hoods.[4] Similarly, the statistically significant coefficient of .832 indicates that the average Latino neighborhood has a homicide per capita rate 130 percent higher than that of white neighborhoods.

Table 3: Negative binomial regression models of homicide per capita rates with robust standard errors (N= 786)

	Model 1		Model 2		Model 3	
	b	e^b (% change)	b	e^b (% change)	b	e^b (% change)
Residential loans ($)	...	...	-.020* (.008)	.97 (3%)	...	...
Residential loans (#)	...	...	...	...	-.004*** (.002)	.996 (.40%)
Racial composition						
Majority African American	1.607*** (.159)	4.99 (399%)	1.498*** (.139)	4.15 (315%)	1.367*** (.144)	3.94 (294%)
Majority Latino	.833*** (.138)	2.30 (130%)	.741*** (.132)	2.16 (116%)	.684*** (.131)	1.97 (97%)
Heterogenous	.995** (.295)	2.71 (170%)	.911*** (.145)	2.49 (149%)	.858*** (.144)	2.36 (136%)
Controls						
Concentrated disadvantage	-.010 (.025)	.99 (-1%)	-.014 (.018)	1.02 (2%)	-.013 (.017)	.99 (1.29%)
Median housing values	-.003** (.001)	1.00 (-.30%)	-.002** (.001)	1.00 (-.20%)	-.002** (.001)	1.00 (-.20%)
Residential stability	-.122** (.040)	.89 (-11%)	-.120*** (.025)	.91 (-9%)	-.075*** (.028)	.93 (-7%)
Prior homicide	.371*** (.107)	1.45 (45%)	.384*** (.082)	1.43 (43%)	.380*** (.081)	1.46 (46%)
Number of housing units	-.000* (.000)	1.00 (0%)	-.000 (.000)	1 (0%)	.000 (.000)	1 (0%)
Spatial lag	.018+ (.011)	1.02 (2%)	.015 (.012)	1.02 (2%)	.015 (.012)	1.02 (2%)
Constant	-7.767***	...	-7.695***	...	-7.595***	...
Chi square	597.20***	...	550.20***	...	559.45***	...
Alpha (over-dispersion parameter)	.405 (.083)	...	.397 (.042)	...	.387 (.041)	...

Note: + p < .10, two tailed; * p < .05, two tailed; ** p < .01, two tailed; *** p < .001, two tailed

4 Following Long (1997, 228), percent changes in the expected count for negative binomial regressions are computed by taking the absolute value of the exponential of the unstandardized coefficient, subtracting this from 1, and multiplying the result by 100—i.e., [1-exp(1.607)]*100.

Models 2 and 3 introduce residential bank loans to assess the extent that loans reduce homicide per capita rates. Findings indicate that an infusion of bank capital in a neighborhood reduces lethal violence. For example, Model 2 shows that for every additional million dollars in bank loans, a neighborhood's homicide per capita rate decreases by three percent or by a factor of .97, while holding all other variables in the model constant. In human terms, this means that a typical Chicago neighborhood would experience one fewer homicide every three years. Moreover, Model 3 shows that each loan decreases a neighborhood's homicide per capita rate by almost half a percent or a factor of about one, while holding constant all other variables in the model. To explain these findings, I suggest that infusions of bank capital give tools to neighborhoods to control crime: either informally through neighbor interactions, by providing resources to fix up housing and other buildings, or by expanding local economic opportunities.

Bank lending also partially ameliorates some of the homicide rates in minority neighborhoods. When residential bank loans are taken into account, the amount of violence in African American neighborhoods is lessened. Specifically, Model 2 indicates that black neighborhoods have 4 times the homicide per capita rate of white neighborhoods compared to almost 5 times in Model 1. The disparity is diminished somewhat for majority Latino neighborhoods as well. A similar pattern emerges for both black and Latino neighborhoods when the number of loans is considered rather than the dollar amount. It follows then that if African American and Latino neighborhoods did not experience the lending disadvantage illustrated in Table 2, there would be substantial reductions in lethal violence.

I turn now to a brief discussion of the control variables. Neighborhoods with higher median housing values have lower homicide rates. It appears that socioeconomic advantage can help protect against lethal violence. For example, research regarding affluent communities points to their use of political power to create and implement zoning restrictions that limit the encroachment of crime-producing settings like bars, taverns, and public housing projects (McNulty and Holloway 2000; Peterson and Krivo 2009a, 2009b; Veléz et al. 2003).[5] Models also show that homicide is lower in residentially stable neighborhoods, a finding in line with social disorganization research, which contends that residential stability stimulates the formation of conventional social networks and subsequent informal social controls such as neighbors watching out for each other's property (Bellair 1997). Neighborhoods with relatively high levels of homicide rates in the past continued to have high rates in the study period. Importantly, these controls maintain their significance in Models 2 and 3, which account for the infusion of loan dollars and the number of loans in neighborhoods.

While my evidence supports the hypothesis that bank loans affect homicide rates, might neighborhood homicide rates influence bank loans? Crime rates can affect the lending process: for instance, recent research finds that crime, especially violent crime, affects neighborhood property values, foreclosure rates, and housing prices (Immergluck and Smith 2006; Schwartz et al. 2003; Tita et al. 2006). It is likely that neighborhoods with relatively higher homicide rates are allocated fewer loans than neighborhoods with less crime. If simultaneity occurs, the results in Table 3 would result in biased coefficients.[6] To address this potential problem, I conducted a Hausman test for simultaneity (Pindyck and Rubinfeld, 1991, 303-305). To do this, I followed Gregory Squires and Charis Kubrin (2006) and identified an instrument that is significantly correlated with lending dollars and the number of loans but that is uncorrelated with the residuals from the results of the regression from Table 3, Model 2 or 3. A vari-

5 The impact of concentrated disadvantage on local homicide per capita rates is significant before racial composition variables are included (results not shown). But once measures of racial composition are included the effect of concentrated disadvantage is explained away.

6 The models as presented already partially take into account issues of reverse causality in two ways. First, note that Table 2 controls for the amount of homicide in neighborhoods in prior years (1989–1991). Doing so should capture the factors associated with homicide rates, including their effect on home mortgage lending and vice versa, in previous years. Model 3 shows that even after prior homicide was controlled, the coefficient for the loan rate remained statistically significant and substantially negative. Second, the model includes a spatial lag of the homicide per capita rate. This measure captures the dynamic between mortgage lending and crime that takes place in neighboring communities. The coefficient for the spatial lag of homicide is significant in Model 1 but loses its significance when lending variables are introduced.

able that meets these criteria is the age of the housing stock in a census tract.[7] Chicago tracts with older homes are better established and experience more lending activity, but the age of housing is not related to homicide levels. This variable is positively correlated with the lending dollars (.09) and loan numbers (.12) and uncorrelated with the regression residuals from Models 2 and 3 (.042 and .043, respectively). I then regressed the instrument and the exogenous independent variables on the two lending variables and saved the residuals for each loan model. Subsequently, I applied the resulting residuals from those models and included them as additional independent variables in the estimation of neighborhood homicide rates. Table 4 shows these results; Model 1 refers to the number of loans variable and Model 2 refers to the loan dollars variable. As can be seen in both models in Table 4, the residual terms from stage one are not a statistically significant predictor of homicide per capita rates (significance level equals 0.103 and .125 respectively) in stage two. Thus there is no statistical evidence that simultaneity is a problem in the results displayed in Table 3 (for examples of how bank activity directly affects lending, see also Immergluck and Smith 2006; Squires and Kubrin 2006). Bank lending, in other words, matters for the neighborhood distribution of homicide.

Table 4: Negative binomial results predicting homicide per capita rates with robust standard errors from Hausman test for simultaneity (N=786)

	Model 1 Loan numbers b (se)	Model 2 Loan dollars b (se)
Loan measure	-.010** (.004)	-.068* (.022)
Residual from stage 1	.007 (.004)	.048 (.031)
African American neighborhood	1.013*** (.254)	1.192*** (.204)
Latino neighborhood	.895*** (.168)	.946*** (.152)
Heterogeneous neighborhood	1.021** (.349)	1.080** (.333)
Concentrated disadvantage	.029 (.020)	.026 (.020)
Median housing values	.001 (.001)	.000 (.001)
Residential stability	.108 (.056)	.021 (.037)
Prior homicide rate	.144 (.078)	.169* (.077)
Number of housing units	.001*** (.000)	.001*** (.000)
Spatial lag of homicide	.051*** (.011)	.046*** (.011)
Constant	-.415*	-.589**
Wald chi square	709.36***	687.31***

Note: * p < .05, two tailed; ** p < .01, two tailed; *** p < .001, two tailed

7 Utilizing 1990 Census data (STF 3A), I operationalized the age of the housing stock with the average median year in which homes were built in a census tract.

6. Conclusion

We have vast evidence from around the world that political and economic actors, including banks, affect at the neighborhood level social capital, financial exclusion, residential racial or ethnic segregation, physical disorder, residential stability, park and recreation facilities, and community decline (Aalbers 2005; Bolt et al. 2008; Bursik 1989; Button 1989; Giffinger 1998; Massey and Denton 1993; Orr 1999; Skogan 1990; Squires and O'Connor 2001). A major concern is that these actors facilitate socio-spatial segmentation that allocates resources to places already set up to prosper, while resources are diverted from or denied to places already vulnerable to deleterious conditions such as crime—magnifying the impact of inequality (Fuller and Mellor 2008).

This article has shown that banks allocate fewer loans and loan dollars—between 90 to 76 fewer loans and about $10 million less—to the typical black or Latino neighborhood compared to its white counterpart. That about half of that disparity can be explained by class differences between white and minority neighborhoods is of less consequence to minority residents, who must nonetheless live in neighborhoods that experience the full disparity in loan allocation. It is not surprising, of course, that bank loans are distributed unequally across race, nor that local decisions governing a highly lucrative resource are divided along racial lines (Farley, Danziger, and Holzer 2000; Dedman 1988; Ezeala-Harrison et al. 2008; Munnell et al. 1992; Musterd, Priemus and Van Kempen 1999; Peterson and Krivo 2009; Santoro 1995; Squires 1994; Squires and Kubrin 2006). Clearly, lending across Chicago neighborhoods is taking place in a racialized context that favors white communities over minority communities.

My findings also suggest that the availability of bank loans reduces lethal violence in all neighborhoods as well as helps to reduce violence in minority communities. Shifting from an exclusive focus on intra-neighborhood dynamics to an approach that pays more attention to the actions of outside political and economic actors is especially important when examining the racial patterning of crime. Minority communities, especially those that are economically disadvantaged, have long been adversely affected by the decisions of outside economic and political actors (Browning, Marshall, and Tabb 1984; Button 1989; Massey and Denton 1993; Stone 1989). My findings underscore the claim that the unequal distribution of loans is important in making minority neighborhoods more vulnerable to crime-producing conditions.

One implication concerns how criminologists conceptualize neighborhood "structural" conditions like poverty rates, male joblessness, single-parent families, and residential segregation. The dominant approach is to take structural factors as given—leaving them largely unanalyzed and untheorized. Yet structural conditions are themselves the product of a long series of events. Whether it is historical or contemporary practices that deny housing to blacks in white neighborhoods (Massey and Denton 1993), place public housing projects in minority neighborhoods (Bursik 1989, McNulty and Holloway 2000), limit minority job opportunities (Neckerman and Kirschenman 1991), or limit access to financial capital (Fuller and Mellor 2008; Logan and Molotch 1987; Smith et al. 2001; Squires and O'Connor 2001), structural conditions can meaningfully be viewed in part as products of racial inequality. Any study seeking to understand the racial patterning of crime needs to ground the investigation in an examination of racial inequality in political and economic power (see Bonilla-Silva 1997).

Finding that access to capital affects local homicide rates also speaks to the importance of legislation such as the Community Reinvestment Act and the Home Mortgage Disclosure Act. These acts are seen as critical for opening up mortgage lending to underserved communities and their residents as well as for facilitating the study of lending patterns by scholars, community advocates, and policy makers. Yet since the late 1990s, various initiatives by the U.S. Congress and the Executive Branch have weakened these policies' ability to pressure lenders for equitable lending (Ashton 2008; Squires and Kubrin 2006; Woodstock 2009). For instance, banks have the option of excluding the lending activities of various affiliates in their CRA performance evaluations, making it difficult to monitor higher-risk subprime mortgages (Woodstock 2009). And when the current economic crisis is presented as partly a result of "bad loans to risky people," advocates of community reinvestment are concerned that such policies will be further weakened (Woodstock 2009). For example, President Obama supports

creation of a new regulatory structure that will provide safety nets for consumers and mechanisms to control banks, but as a recent *New York Times* editorial pointed out, the banking industry has funneled millions of dollars into lobbying efforts to make sure this new regulatory system does not have much enforcement power (New York Times 2009). Without strong regulation and a strengthening of community reinvestment initiatives, there will be even less capital for poor and minority neighborhoods. These communities will continue to pay the cost of lending inequalities by suffering increased violence. And these neighborhoods will continue to be underprivileged places characterized by limited structures of opportunity and diminished quality of life for their residents.

Whether the findings of this study are unique to Chicago must be addressed in future research, especially because Chicago has an extensive history of activism concerning community reinvestment (see Squires and O'Conner 2001) and because the banking system in the United States is less regulated than in many other parts of the world. Three avenues of future study seem particularly promising. First, comparative analysis of city neighborhoods within and across countries would be most helpful. For instance, we have strong evidence that the high crime rates in minority neighborhoods are due to their disadvantaged conditions such as extreme levels of poverty and male joblessness. But this knowledge is almost exclusively based on research on neighborhoods within the United States, a country with well-entrenched systems of discrimination that make race and concentrated disadvantage almost inextricable. How do these factors operate in other racial contexts? Another question is how the political economy of a country affects the distribution of bank lending and the impact of lending on neighborhood crime. The Netherlands, for instance, has a highly regulated and monitored banking system that may produce fewer disparities in loans across social or racial groups. Second, research should investigate how neighborhoods solicit bank resources and bid for inclusion in financial institutions (Fuller and Mellor 2008). Core issues include the benefits of neighborhood mobilization, and connections to the formal political system, and whether the benefits of being connected to a city's political system are the same for white and minority neighborhoods. And finally, because subprime lending is concentrated in the very same poor and minority communities that experience gaps in mortgage lending, it will be important to disentangle the effects of predatory and conventional mortgage lending on crime. Understanding how bank lending shapes neighborhood crime rates will facilitate a better understanding of the intersections of race, political economy, and crime-producing conditions.

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