



November 16, 2016

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Ryan, Leader Pelosi, Leader McConnell and Leader Reid,

On behalf of our respective members, we are writing to urge Congress to act on two critical tax provisions that are scheduled to expire at the end of 2016. Rapid enactment of a broad “tax extenders” package that includes these provisions will provide much needed certainty to the residential real estate market.

The first provision ensures that any mortgage debt that is forgiven by a lender in connection with a principal residence will continue to be excluded from the taxable income of the borrower. This prevents “underwater” homeowners from being taxed if their lender reduces the principal balance or a portion of their mortgage debt is forgiven in connection with a so-called “short sale.” If Congress fails to act, struggling homeowners who accept short sales or a loan modification offer could be faced with a substantial tax assessment. The current provision, if extended, would aid many loss mitigation efforts and provide borrowers with the certainty that they will not be faced with a large, unexpected tax bill.

Second, we believe that Congress should extend the tax deduction for mortgage insurance premiums paid by homeowners. For a \$200,000 home, many homeowners are presently able to deduct between \$600 and \$1,000 from their taxes. Retaining this deduction beyond 2016 will greatly benefit the large number of homeowners, particularly first time home buyers, who cannot afford a 20% or greater down payment and who use mortgage insurance in order to purchase a home.

The undersigned organizations urge Congress to pass “tax extenders” legislation including these critical provisions as soon as possible in order to provide much-needed certainty to our nation’s real estate markets.

Sincerely,

Mortgage Bankers Association

National Association of Home Builders

National Association of REALTORS®

cc: All Members, Senate Committee on Finance
All Members, House Committee on Ways and Means