June 16, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Wyden:

The undersigned organizations are writing in regard to the current tax treatment of mortgage insurance premiums. Our organizations represent a diverse coalition of stakeholders in the housing finance system, including lenders, real estate professionals, homebuilders, and mortgage insurers, and we appreciate the opportunity to provide our collective perspective on this important tax provision. As explained further below, to better support existing homeowners and prospective homebuyers, we urge you to modify current law to make the mortgage insurance premium tax deduction permanent and to eliminate its income phaseout.

Affordability remains a persistent barrier to homeownership across the country and mortgage insurance helps bridge the down payment gap for borrowers who lack the resources for a 20 percent down payment or have less than perfect credit. Low down payment mortgages – including conventional mortgages with private mortgage insurance and loans with government mortgage insurance and loan guarantees through the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), and U.S. Department of Agriculture Rural Housing Service (RHS) – have proven critical for many first-time, lower wealth, and minority homebuyers to secure financing and attain the American Dream of homeownership. Using low down payment mortgages allows families to buy home sooner than they otherwise would be able and to reap the benefits of homeownership, including financial stability and building intergenerational wealth. In calendar year 2020 alone, nearly 5 million families obtained mortgages with some form of mortgage insurance, including more than two million conventional loans with private mortgage insurance, nearly 1.4 million FHA-insured mortgages, nearly 1.4 million VA-guaranteed mortgages, and more than 140,000 RHS-guaranteed single-family mortgages.[1] Further, the vast majority of borrowers with mortgage insurance are first-time homebuyers, traditionally the driving force of the housing market. Low down payment lending options are critical for these first-time homebuyers, as evidenced by the fact that more than 80 percent of first-time homebuyers relied on low down payment options to purchase their home in 2020.[2]

Since 2007, the tax code has treated mortgage insurance premiums as qualified residential mortgage interest and they have been tax deductible, subject to an income phaseout for taxpayers with adjusted gross incomes (AGI) over $100,000 ($50,000 if single or married filing

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[1] GSE aggregate data, HUD quarterly reports to Congress on "Financial Status of the Mutual Mortgage Insurance Fund," VA Lender Loan Volume Reports, and Housing Assistance Council Tabulations of RHS 205 Report Data.
[2] Enact MI First-Time Homebuyer Market Reports.

separately).[3] The mortgage insurance premium tax deduction was enacted in 2006 to address affordability concerns and has been extended on several occasions, including most recently by the *Further Consolidated Appropriations Act of 2020*.[4] During the time period that mortgage insurance premiums have been tax deductible, millions of low- and moderate-income homeowners have benefited from this provision of the tax code. Based on publicly available data from the Internal Revenue Service (IRS), the average deduction for mortgage insurance premiums has been approximately $1,500.[5]

However, two key aspects of the current mortgage insurance premium deduction hamper its effectiveness: (1) its temporary nature; and (2) its relatively low AGI phaseout. Further, the mortgage insurance premium deduction is the only itemized deduction subject to an AGI cap and/or phaseout. As you know, the *Tax Cuts and Jobs Act of 2017* (TCJA)[6] modified numerous aspects of the tax code and doubled the standard deduction. While millions of households still claim this deduction, no doubt this change, in concert with the current AGI phaseout, has significantly reduced the number of homeowners who benefit from the deduction. Prior to the enactment of the TCJA, more than 4 million taxpayers claimed the deduction each year and estimates indicate that about 2.4 million taxpayers claim the deduction each year post-TCJA implementation.[7] The current AGI phaseout represents a burdensome eligibility criterion for American families to claim the mortgage insurance deduction and millions more homeowners would benefit from a permanent extension that eliminates the AGI phaseout.

Thank you for your consideration of our recommendation that the mortgage insurance premium tax deduction be made permanent and that the AGI phaseout be eliminated. We welcome the opportunity to further engage on this important issue to support access to affordable mortgage financing for American families.

Very truly yours,

MBA®
MORTGAGE BANKERS ASSOCIATION

NAHB®
National Association of Home Builders

NATIONAL ASSOCIATION OF REALTORS®

USMI
U.S. Mortgage Insurers

[3] 26 USC 163(h)(3)(E).
[4] Pub. L. 116-94 (December 20, 2019).
[5] For example, for tax year 2017 there were 2,285,440 returns that claimed the mortgage insurance premium deduction for a total amount of $3.376 billion, with an average deduction of $1,477.
[6] Pub. L. 115-97 (December 22, 2017).
[7] Analysis of IRS data for tax years 2012-2018.

June 16, 2021

The Honorable Mike Crapo
Ranking Member
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Crapo:

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