

March 8, 2022

The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Wyden,

On behalf of U.S. Mortgage Insurers (USMI), the trade organization representing the leading providers of private mortgage insurance (MI), I encourage you to co-sponsor S. 3590, the *Middle Class Mortgage Insurance Premium Act of 2022*, introduced by Senator Hassan and co-sponsored by Senator Blunt. This important bipartisan legislation would expand eligibility for and make permanent the tax deduction for MI premium payments for borrowers who put less than 20 percent down to purchase their home and qualify for financing thanks to private MI or government-backed MI through the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), or the U.S. Department of Agriculture (USDA). USMI is dedicated to a housing finance system backed by private capital that enables access to affordable and sustainable housing finance for borrowers while protecting taxpayers, and strongly supports S. 3590.

MI is a key tool in prudently expanding homeownership by enabling families to secure financing when they are unable to put 20 percent down. Since 2007, millions of hard-working families have benefited from this tax deduction, including more than 4 million annually before the enactment of the *Tax Cuts and Jobs Act* in 2017. The most recent Internal Revenue Service (IRS) data shows that approximately 1.4 million households claimed this deduction in 2019, for an average tax deduction of nearly \$2,100. Further, almost 60 percent of taxpayers claiming the deduction have less than \$75,000 of adjusted gross income and 90 percent have less than \$100,000. Mortgages with MI are disproportionately used by first-time, younger, and minority homebuyers who often lack the resources for large down payments. In fact, more than 80 percent of first-time homebuyers in recent years attained homeownership using low down payment loans. These borrower statistics are generally consistent for FHA and VA borrowers, with 85% of FHA and 50% of VA borrowers being first-time homebuyers, who generally have lower incomes. To illustrate the benefit to Oregon families, immediately below is data on homebuyers with mortgage insurance in your state:

- Oregon Borrowers with Mortgage Insurance in 2020 (about 67,000 homebuyers)
 - 33.1% of agency mortgages in Oregon had some form of mortgage insurance
 - 30,477 Oregon households purchased a home or refinanced an existing mortgage in 2020 using mortgages with private MI. Nationwide the industry helped more than 2 million households in 2020. For 2021 Q1-Q3, private MI helped 22,880 borrowers in Oregon (1.571 million nationwide).
 - Approximately 14,000 FHA loans and 23,000 VA loans to Oregon households in 2020.
- First-Time Homebuyers
 - 63% of Oregon homebuyers in 2020 with purchase loans with private MI were first-time homebuyers (nationwide was 58%).

- Nationwide, approximately 85% of FHA and 50% of VA purchase mortgages went to first-time homebuyers.
- Approximately 80% of first-time homebuyers use low down payment mortgages that have some form of mortgage insurance.
- Average Loan Amount
 - The average loan amount for Oregon homebuyers with private MI in 2020 was \$343,124 (compared to approximately \$290,000 nationwide).
 - Nationwide average loan amounts for FHA and VA in 2020 were \$236,100 and \$317,600, respectively.

In general, taxpayers may deduct mortgage interest payments. To qualify for a mortgage loan, taxpayers who purchase or refinance their home with down payments of less than 20 percent will typically be required to have mortgage insurance, attained through private MI, the FHA, the VA, or the USDA, and will pay premiums for this insurance. The premium payments are part of the price of the loan, and therefore effectively a form of interest that should be deductible for tax purposes.

In 2006, Congress first enacted legislation allowing a tax deduction for mortgage insurance premium payments. The provision has always been temporary but, because of the importance to millions of low- and moderate-income homeowners, it has been extended every couple of years. This deduction has been limited to taxpayers under certain income levels, beginning to phase out at adjusted gross income of \$100,000 for joint filers (half that for individual filers and married individuals filing separately), which were the income levels set in 2006 without adjustment for inflation and not subsequently increased. The purpose of this legislation is to make permanent this important provision for homeowners, and to adjust the income limits to \$200,000 (half that for individual filers and married individuals filing separately).

It is finally time for Congress to make permanent the deductibility of mortgage insurance premiums. In addition, the income limit for taxpayers who can take the deduction for mortgage insurance premiums should be increased to take into account the erosion of the value of the dollar with the passage of time.

Thank you for your consideration and we hope you will co-sponsor this important legislation.

Sincerely,



Lindsey D. Johnson
President