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March 8, 2017

Dear Chair Keny-Guyer and members of the Human Services and Housing Committee:

I write on behalf of Oregon Opportunity Network (Oregon ON), the statewide association of affordable housing and community development nonprofits, to urge your support for HB 2006, which will adjust Oregon's mortgage interest deduction (MID) to make it more equitable and effective.

As you know, the MID is Oregon's largest housing subsidy – projected to reach $1.1 billion in the 2017-19 biennium. This dwarfs the State's investment in affordable housing, and over 60% of the MID subsidy goes to those at the upper end of the income scale, who do not need the State's help to be homeowners.

At a time when Oregonians statewide struggle to find housing, and over 20,000 children are experiencing homelessness, this policy clearly needs to be changed. Rather than subsidize primarily wealthier homeowners, we believe the State should redirect revenue from the MID to address our statewide housing crisis.

Along with many partner organizations, Oregon ON has been working for the past several months to develop a viable and reasonable proposal to reform Oregon's MID. This bill, HB 2006, does three things:

- It caps the state's MID at $15,000 for a primary residence;
- It no longer allows deduction of interest on a mortgage for a second (vacation) home;
- It eliminates the state MID for high-income households (over $200K adjusted gross income for a couple filing jointly).

It's important to note that the vast majority of Oregon homeowners will not be affected by this proposal. All homeowners, except those with very high incomes, will continue to be able to deduct up to $15,000 in mortgage interest on their home. This amount is well above the average mortgage interest deduction that is claimed ($8,700 as of 2013), and by our calculations translates to loans of at least $350,000. Depending on the down payment, home prices would range from $368,000 (3.5% down) to $445,000 (20% down) to cap out at $15,000 in interest in year one of the loan. And of course, the amount of interest paid declines each year of the loan.

In addition, we want to emphasize that this proposal would leave untouched the larger Federal MID subsidy for all homeowners. It also would not impact landlords, who take deductions differently for rental properties than for their own residence.

While we have not yet seen an official fiscal analysis from LRO, our estimate is that together these changes will generate at least $100 million in new revenue per biennium.

HB 2006 directs the revenue from changes to the MID to be invested in existing programs at Oregon Housing and Community Services, as follows:

- 50% to the Homeownership Assistance Account (which funds affordable home development, down payment assistance, homebuyer education etc.);
- 25% to the General Housing Account (for development and preservation of affordable rental housing);
- 25% to the Emergency Housing Account (funds the Emergency Housing Assistance or EHA program for homelessness prevention).

Through HB 2006, we can generate revenue that will enable the State to invest in proven programs that address the continuum of housing needs from homelessness to rental housing to homeownership – with an emphasis on first-time homeownership. By reforming Oregon’s MID policy through HB 2006, we can give equitable access for thousands more Oregon families to the stability and prosperity of homeownership – which after all, is the supposed aim of the MID.

We are very excited to support this historic tax reform measure, which if passed, will be a game-changer for our collective ability to ensure that every Oregonian has a safe, stable, affordable place to call home. We urge your support of HB 2006, and we thank you as always, for your service to Oregon.

Sincerely,

Jerome Brooks

Jerome Brooks
Executive Director