



March 11, 2019

Chair Keny-Guyer, Vice Chairs Sanchez and Noble and Members of the House Committee on Human Services and Housing:

My name is Peter Hainley and I am Executive Director of CASA of Oregon. CASA is a nonprofit community development organization that works throughout Oregon to support thriving communities. We work with local nonprofits, housing authorities, governments and communities to help meet the housing needs of families, farmworkers, seniors and the disabled. We also provide asset-building opportunities via individual development accounts, small dollar loans and financial inclusion services.

Oregon's rural counties have some of the least affordable housing options among all rural counties nationally. HB 3349 would shift \$150 million from housing subsidies for Oregon's richest households to investments in affordable homeownership and homeless services with an emphasis on families with children.

Oregon's mortgage interest deduction is a costly, inequitable, and ineffective housing subsidy. The deduction allows those who claim it to reduce their taxable income by the amount of interest paid on mortgage debt of up to \$750,000 for new mortgages and \$1 million for mortgages prior to 2018. This also includes debt on a second home.

HB 3349 scales back the state mortgage interest deduction for all filing types starting at \$200,000 in adjusted gross income, and completely ends the subsidy at \$250,000. This deduction only targets the richest 5 percent who do not need the subsidy.

These changes cut \$150 million off the top of the nearly \$1 billion price tag of the mortgage interest deduction, and redirect those savings equally in two funds focused on affordable homeownership and homeless services for families with children.

The current mortgage interest deduction is inequitable, putting at a disadvantage rural, low and moderate-income Oregonians and communities of color. Nearly nine out of 10 mortgage interest deduction dollars flow to urban areas. There is already significant economic inequality between urban and rural Oregon, and the mortgage interest deduction only adds to it. Research has shown again and again that the mortgage interest deduction does not increase rates of homeownership. When comparing between states or countries that do and do not have this subsidy, there is no significant improvement in homeownership.

Despite this expensive subsidy, Oregon ranks below the national average in homeownership, and even below 13 states that do not have a state mortgage interest deduction. Economists and analysts across the political spectrum agree that the mortgage interest deduction is poorly designed public policy. It is costly, inequitable, and ineffective. In the face of the housing crisis afflicting our state, it is urgent that the legislature transform the state's biggest housing subsidy into a vehicle for addressing the crisis.

I urge you to enact HB 3349.