April 18, 2023
Senate Committee on Finance and Reform

Chair Meek, Vice-Chair Boquist, and Members of the Committee,

Thank you for the opportunity to submit testimony today in support of SB 976. My name is Celestina Teva and I am a licensed Oregon Principal Real Estate Broker with Dwell Realty, a Black-owned and Woman-owned local real estate brokerage, as well as the Project Manager for CASA of Oregon's Manufactured Housing and Cooperative Development Center. Today I represent myself, however I bring my professional expertise into my testimony.

Chair Meek, while I do not currently live in your district, I am a stone's throw away. I also am currently working in support of a community of manufactured home residents in your district, and have supported first-time homebuyers in your district.

To the Committee, I urge your support for this important piece of legislation to put our tax code where our values are: reining in regressive and wasteful code to make real and desperately needed investments in addressing our ongoing housing crisis rather than subsidizing the increase in the wealth and homeownership gap through the cents in the checkbooks of our overburdened renter neighbors who are disproportionately folx of Color.

I would like to ground my testimony based on both my personal and professional context.
I urge you to pass Senate Bill 976 from every personal and professional experience I have. Here is why:

1. I have been a real estate broker licensed in Oregon since 2016. I had a small, local real estate brokerage of my own for some time with a total crew of 7 agents. Many of my clients and many clients served in my office were first-time homebuyers.

I have supported and attended many affordability assessments between lenders and first-time homebuyers. I have never seen a mortgage lender coach their client to consider the mortgage interest deduction likely associated with their first home purchase as an element of their affordability assessment. Many, dare I say most, first time homebuyers don't know the MID exists. Any argument that first time homeownership will be negatively impacted by SB 976 is disingenuous. Furthermore, regardless of awareness of the MID, the only first time homebuyers who would be affected by the bill are those with annual incomes above $200,000, and those buyers are extremely unlikely to be relying on the mortgage interest deduction to determine whether or not they can afford to purchase a home. Again, most of them are not factoring it in at all.

Most first-time homebuyers need to focus on monthly carrying costs ("DTI" or debt-to-income ratios) and their cash available for down payment and closing costs. Additionally, in our current lending system, the

"LTV" (loan-to-value) of the home purchase, or inversely the down payment amount, in conjunction with other indicators typically correlated with wealth like credit score and remaining liquid funds after purchase, determines the interest rate available to a buyer. What this means is that the value of a mortgage interest deduction for a first-time homebuyer is nothing compared to actually having a loan that is affordable in its own right. One of the eligible uses of revenue generated by SB 976 is to fund more affordable and accessible loan products for aspiring homeowners. I expect that to have a quantifiable impact on increasing access to first time homeownership.

The good news is that for these first time homebuyers who are barely pulling off their purchases or who so far have been excluded from the market, with SB 976 they won't have to choose between the current mortgage interest deduction and a tax code which funds programming that may help them. That's because this bill preserves the deduction for those who actually need it while also funding housing support in this state. In other words, if we want to talk specifically about first time homebuyers, for the extreme minority of them who would lose the mortgage interest deduction for their home, there will be many times more households who are supported as first time homebuyers by the revenue that will be appropriately generated by SB 976.

2. I currently work in affordable housing supporting the residents of manufactured home parks purchase their parks as nonprofit resident-owned communities to stabilize and minimize their space rents in perpetuity.

I will keep the background commentary here short as I trust you, members of the Committee, are keenly aware of our state's housing, homelessness, and affordability crisis just as I am. It is our most vulnerable, overburdened, and underserved neighbors who need support backed by those who are most resourced, not the other way around. This bill doesn't actually go so far as to reverse that dynamic, which would require something along the lines of a rent payment deduction so that renters can receive the same support that homebuyers have been receiving so that they can actually build their own assets instead of building others' assets. I'd like to illustrate that, today, a renter who works for minimum wage in this state and can barely afford their rent (if they have found a place at all), let alone save for a downpayment for a home, puts their labor into our economy and generates the funds for their rent payment and gets nothing in return - no equity, no asset appreciation. Meanwhile the landlord then uses that labor to pay for their rental mortgage payment, earning the equity portion of the payment plus appreciation on their asset over time, and then, currently, is able to deduct the interest portion of the payment.

I'd like to be clear that currently and without MID reform, the labor and life force of the neighbors of ours who are renters is being systematically extracted from them in support of the continued wealth-building for neighbors who already have more than enough. In economic terms, this is regressive. In sociological terms, this is oppressive.

So, while this bill does not reverse the dynamic of the mortgage interest deduction (like, for example, what giving renters tax breaks instead since they do not have access to a wealth-generating housing type might do), this bill does halt the insidious and morally inexplicable activity of giving tax breaks to very high income households, based on expenses (mortgage payments) they chose to incur and can afford, on the backs (sometimes literally) of the rest of the lower income tax base.

Additionally, the eligible uses for the revenue generated from this bill include support for renters in many ways like rental assistance, supportive services, and more affordable rental housing types. Near and dear to my heart and work, another eligible use is to support the residents of manufactured home parks both in replacement of their aged homes after having paid space rent in parks for years but earned no equity and in desperately needed infrastructural improvements in the parks which have been largely led by resident-owned parks themselves.

3. I have owned a second home since 2016.
4. I do not currently exceed the $200,000 nor $250,000 income thresholds included in this bill. However, it is likely that within the next 10 years my household *will* exceed the lower if not both of the thresholds.

I should not be able to deduct any of the mortgage interest on my second home. If my household were to make over $250,000 per year, I should not be able to deduct any of the mortgage interest on my primary home. I know SB 976 will increase my otherwise taxable income now and likely furthermore in the future. That outcome is entirely understandable and a moral imperative. Anyone directly affected by the deduction rollback in this bill (owns a second home or makes over $200,000 per year) who opposes it is making a statement that they believe their ability to build wealth should continue to be subsidized by the labor and life force of the least wealthy in this state. Anyone directly affected by the revenues that will be generated by this bill (our houseless and rent overburdened neighbors) are in desperate need of a more common sense and reasonable, let alone equitable, financial, tax, asset building, and housing system.

Lastly, I have included as an addendum to my testimony some further review of the 2022 Oregon Secretary of State's findings that support my testimony and SB 976,

I hope for the sake of our moral integrity in this state and one's obligation to all of their constituents, not only the wealthiest of them, that this Commission will advance Senate Bill 976.

Thank you for your time and for your service to our state.

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Addendum to Testimony – Additional Background regarding the Mortgage Interest Deduction in Oregon

Oregon continues to suffer from a continuing and deepening housing crisis. There simply are not enough safe, stable, and affordable homes for everyone Oregonian to call home in our state. Meanwhile, the mortgage interest deduction dedicates **roughly one billion dollars every budget period and is—by far—the biggest expenditure on housing by the state,** yet this subsidy is wasted on subsidizing housing for those who do not need help: the state's most well-off homeowners. Despite being the largest housing subsidy in Oregon, the Mortgage Interest Deduction (MID) fails to directly benefit any renter in Oregon, whose housing costs weigh more heavily compared to homeowners and which do not build assets through equity, let alone any unhoused neighbor in Oregon who has been pushed out of the housing market entirely.

An audit of the program by the Oregon Secretary of State last year reported that **the mortgage interest deduction "is designed in a way that systematically benefits higher income**" homeowners, and that **"roughly 18,000 taxpayers with incomes in the top 1% . . . received more benefit from the MID than the 727,000 taxpayers in the bottom 40% combined."**

When this Legislature considers the effectiveness of housing subsidies, as a matter of good public policy, subsidies should be extended to families that need assistance the most. In the context of mortgage interest deduction, it would be a reasonable outcome if such an important housing subsidy were to be extended to homeowners with the lowest of incomes, first-time homebuyers, or to work in a way to address racial disparities in homeownership. As the deduction is currently structured, it, unfortunately, falls short of promoting homeownership opportunities. SB 976 seeks to reform Oregon's mortgage interest deduction to prevent waste and dedicate funding to those families that are in the greatest need of support in achieving homeownership or avoiding homelessness.

First, SB 976 continues to allow most households to deduct mortgage interest. For most families across the state, SB 976 will result in no change in their tax obligations. Only when incomes rise beyond $200,000 in adjusted gross income for the year will the mortgage interest deduction begin to phase out. For households with incomes over $250,000 the mortgage interest deduction will be completely phased out. Second, the mortgage interest deduction will be disallowed for any home other than the taxpayer's primary residence. This means that Oregon will no longer subsidize vacation homes or second homes. All saved revenue that would otherwise be foregone will be dedicated to a fund to promote existing programs used to promote homeownership for families with lower incomes and to address our state's continuing housing and houselessness crisis.

When so many families across Oregon are struggling with housing instability**, it is unconscionable that we continue to subsidize families who are in no need of support from the state.** SB 976 is a common-sense piece of legislation that would ensure our tax code works for all Oregonians, not just the most wealthy among us.