

October 15, 2024

The Honorable Jason Smith  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
1139 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Smith:

The undersigned organizations, representing a diverse coalition of stakeholders in the housing finance system of lenders, affordable housing advocates, civil rights organizations, homebuilders, mortgage insurers, and real estate professionals, are writing regarding the tax treatment of mortgage insurance premiums. We appreciate the opportunity to provide our collective perspective on this important tax provision as policymakers consider potential tax reforms in 2025 that support American families, communities, and small businesses. As tax writers assess the expiring and permanent provisions of the *Tax Cuts and Jobs Act* (TCJA),<sup>1</sup> we encourage congressional action to support existing homeowners and prospective homebuyers by reinstating, making permanent, and expanding eligibility for the mortgage insurance premium tax deduction, which was available to eligible taxpayers from 2007 through 2021. The tax deduction for mortgage insurance premiums has long enjoyed bipartisan support and our organizations firmly believe this targeted deduction for the benefit of low down payment borrowers is both good tax and housing policy. We urge Congress to include the bipartisan, bicameral *Middle Class Mortgage Insurance Premium Act* (HR 4212, S 1938) in any end of year tax package or 2025 tax reform legislation.

Affordability remains a persistent barrier to homeownership across the country due to high homes prices, elevated interest rates, strong home price appreciation (HPA), and limited housing supply. The national median home sales price currently stands at \$416,700<sup>2</sup> and, while HPA has slowed, nationwide prices are still up 5.70% from one year ago and 58.36% from five years ago.<sup>3</sup> Further, while housing inventory has improved from a historical low point, the current level of 4.2 months of supply<sup>4</sup> is still well below pre-pandemic and long-term historical levels. Industry research and polling underscores that Americans feel it has gotten harder to buy a home over the past few years and the largest barrier is consistently identified as saving for a down payment.<sup>5</sup>

Despite these challenges, each year mortgage insurance helps bridge the down payment gap for millions of borrowers who lack the resources for a 20% down payment or have less than perfect

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<sup>1</sup> Pub. L. 115-97 (December 22, 2017).

<sup>2</sup> National Association of REALTORS®, "[Existing-Home Sales Housing Snapshot](#)" (September 19, 2024)

<sup>3</sup> Federal Housing Finance Agency, "[House Price Index – Seasonally Adjusted, Purchase-Only, 2024Q2.](#)"

<sup>4</sup> National Association of Home Builders (NAHB), *New Existing Home Sales*, Updated September 26, 2024 for data through August 2024.

<sup>5</sup> National Association of REALTORS®, "[Experiences & Barriers of Prospective Home Buyers: Member Study](#)" (September 2023); U.S. Mortgage Insurers, "2024 National Homeownership Market Survey" (October 2024).

credit. Low down payment mortgages – including conventional mortgages with private mortgage insurance and loans insured or guaranteed by the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), and U.S. Department of Agriculture Rural Housing Service (RHS) – are safe mortgage products and programs that have proven critical for many first-time, low- and moderate-income (LMI), and minority homebuyers to secure financing and enjoy the stability of homeownership. Low down payment mortgages allow families to buy homes sooner and begin building intergenerational wealth, rather than sit on the sidelines for years trying to save for a large down payment.

In 2023 alone, nearly 2 million families obtained mortgages with some form of mortgage insurance, including nearly 800,000 loans with private mortgage insurance, more than 730,000 FHA-insured mortgages, more than 380,000 VA-guaranteed mortgages, and more than 35,000 RHS-guaranteed mortgages.<sup>6</sup> Further, the vast majority of borrowers with mortgage insurance are first-time homebuyers, traditionally the driving force of the housing market.<sup>7</sup> Low down payment lending options are critical for these first-time homebuyers, as evidenced by the fact that the typical down payment for first-time buyers in 2023 was 8 percent.<sup>8</sup>

From 2007 through 2021, the tax code treated mortgage insurance premiums as qualified residential mortgage interest and they were tax deductible, subject to an income phaseout for taxpayers with adjusted gross incomes (AGI) over \$100,000 (\$50,000 if single or married filing separately), with an overall AGI cap of \$109,000. Congressional tax writers have historically viewed this deduction as a tax policy tool to level the playing field for LMI homebuyers – including working families – since a larger share of the mortgage interest deduction (MID) is claimed by higher wealth and income households who had the resources for large down payments.<sup>9</sup> During the time that mortgage insurance premiums were tax deductible, millions of LMI homeowners benefited from this provision of the tax code and it was claimed 44.5 million times for \$64.7 billion in aggregate deductions. Based on data from the Internal Revenue Service (IRS), nearly 1.3 million households benefited from the mortgage insurance deduction for tax year 2021 for an average deduction of nearly \$2,300 – a significant tax savings for hardworking families across the country.<sup>10</sup>

Our organizations have long supported the mortgage insurance premium tax deduction as a means to support homeownership for LMI households, but two key aspects have hampered its effectiveness: (1) its temporary nature as a “tax extender”; and (2) its relatively low AGI phaseout and status as the only individual itemized tax deduction subject to an AGI cap and/or phaseout. The current AGI phaseout represents a burdensome eligibility criterion for American

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<sup>6</sup> GSE Aggregate Data, HUD quarterly reports to Congress on the “Financial Status of the Mutual Mortgage Insurance Fund,” VA Lender Loan Volume Reports, and 2023 HMDA Data.

<sup>7</sup> According to GSE Aggregate Data, FHA Data, and eMBS data for purchase mortgages, nearly 65% of mortgages with private mortgage insurance, more than 80% of FHA-insured mortgages, and more than 50% of VA-guaranteed loans went to first-time homebuyers.

<sup>8</sup> National Association of REALTORS®, “[2023 Profile of Home Buyers and Sellers](#)” (November 13, 2023).

<sup>9</sup> Internal Revenue Service, Statistics of Income (SOI) Tax Stats: [Historic Table 2](#) (44% of the MID deductions for tax year 2021 went to households with AGIs of \$200,000 and above).

<sup>10</sup> Internal Revenue Service, Statistics of Income (SOI) Tax Stats: [Historic Table 2](#) (1,277,180 households claimed the mortgage insurance premium deduction for an aggregate amount of \$2,904,686,000). State data is available in Appendix A.

families to claim the mortgage insurance deduction and many more families would benefit from a permanent extension that increases the AGI phaseout. The AGI cap was static for the entire 2007 – 2021 period (not indexed for inflation) and an increase is necessary and appropriate to compensate for the natural erosion of the value of the dollar over time. This is particularly true as families have contended with rising household costs over the past several years.

Representatives Vern Buchanan and Jimmy Panetta, and their counterparts Senators Maggie Hassan and Thom Tillis, have introduced the *Middle Class Mortgage Insurance Premium Act* and we encourage the Committee on Ways and Means to consider this bipartisan, bicameral legislation for inclusion in any end of year tax package or 2025 tax reform legislation. Thank you for your consideration of our recommendation that the tax deduction for mortgage insurance premiums be made permanent and that the AGI phaseout be increased. We welcome the opportunity to further engage on this important issue to support access to affordable and sustainable homeownership for American families. For any questions or should you need further information, please contact Seth Appleton at [sappleton@usmi.org](mailto:sappleton@usmi.org) or 202-280-1820.

Very truly yours,

America's Credit Unions  
American Bankers Association  
American Land Title Association  
Asian Real Estate Association  
Community Home Lenders of America  
Housing Policy Council  
Independent Community Bankers of America  
Leading Builders of America  
Manufactured Housing Institute  
Mortgage Bankers Association  
NAACP  
National Association of Hispanic Real Estate Professionals  
National Association of REALTORS®  
National Council of States Housing Agencies  
National Housing Conference  
RESPRO®  
U.S. Mortgage Insurers

**APPENDIX A**

**2021 State Data for Mortgage Insurance Premium Tax Deduction<sup>11</sup>**

State	Number of Households that Claimed the Deduction	Total Amount of Deductions Claimed	Average Deduction Claimed
US	1,277,180	\$ 2,904,686,000	\$ 2,367
AK	2,370	\$ 6,350,000	\$ 2,679
AL	12,330	\$ 23,110,000	\$ 1,874
AR	5,110	\$ 9,209,000	\$ 1,802
AZ	26,810	\$ 70,303,000	\$ 26,233
CA	171,820	\$ 523,560,000	\$ 3,047
CO	34,480	\$ 111,097,000	\$ 3,222
CT	21,950	\$ 38,181,000	\$ 1,739
DC	3,450	\$ 8,009,000	\$ 2,321
DE	6,230	\$ 13,479,000	\$ 2,164
FL	86,640	\$ 219,332,000	\$ 2,532
GA	63,600	\$ 123,241,000	\$ 1,938
HI	4,930	\$ 21,164,000	\$ 4,293
IA	6,310	\$ 9,251,000	\$ 1,466
ID	5,970	\$ 15,071,000	\$ 2,524
IL	55,600	\$ 92,331,000	\$ 1,661
IN	13,610	\$ 24,916,000	\$ 1,831
KS	5,740	\$ 9,354,000	\$ 1,630
KY	10,490	\$ 16,649,000	\$ 1,587
LA	12,530	\$ 24,275,000	\$ 1,937
MA	30,560	\$ 71,136,000	\$ 2,328
MD	71,630	\$ 163,406,000	\$ 2,281
ME	3,960	\$ 6,956,000	\$ 1,757
MI	26,310	\$ 39,529,000	\$ 1,502
MN	27,030	\$ 43,527,000	\$ 1,610
MO	14,440	\$ 25,377,000	\$ 1,757

State	Number of Households that Claimed the Deduction	Total Amount of Deductions Claimed	Average Deduction Claimed
MS	8,350	\$ 16,265,000	\$ 1,948
MT	3,880	\$ 7,498,000	\$ 1,932
NC	31,210	\$ 62,169,000	\$ 1,992
ND	1,180	\$ 2,499,000	\$ 2,118
NE	4,520	\$ 7,008,000	\$ 1,550
NH	5,690	\$ 11,558,000	\$ 2,031
NJ	52,270	\$ 111,599,000	\$ 2,135
NM	6,010	\$ 13,115,000	\$ 2,182
NV	15,760	\$ 43,840,000	\$ 2,782
NY	60,540	\$ 142,651,000	\$ 2,356
OH	25,220	\$ 41,409,000	\$ 1,642
OK	8,240	\$ 15,676,000	\$ 1,902
OR	26,060	\$ 57,874,000	\$ 2,221
PA	39,960	\$ 67,610,000	\$ 1,692
RI	7,270	\$ 17,230,000	\$ 2,370
SC	17,870	\$ 36,053,000	\$ 2,018
SD	1,010	\$ 2,744,000	\$ 2,717
TN	14,040	\$ 32,781,000	\$ 2,335
TX	105,770	\$ 218,890,000	\$ 2,069
UT	18,170	\$ 44,512,000	\$ 2,450
VA	47,410	\$ 117,145,000	\$ 2,471
VT	1,690	\$ 2,627,000	\$ 1,554
WA	30,840	\$ 89,992,000	\$ 2,918
WI	16,630	\$ 23,977,000	\$ 1,442
WV	2,130	\$ 4,259,000	\$ 2,000
WY	1,090	\$ 2,626,000	\$ 2,409

<sup>11</sup> Internal Revenue Service, Statistics of Income (SOI) Tax Stats: [Historic Table 2.](#)