

THE HONORABLE DEVIN NUNES
COMMITTEE ON WAYS AND MEANS
STATEMENT REGARDING EXTENSION OF
THE DEDUCTION FOR MORTGAGE INSURANCE

April 26, 2012

Mr. Chairman, thank you for holding this hearing on expired and expiring tax code provisions. It is vital that the Committee review these provisions to determine their benefit and extend only those provisions that have proven particularly effective in providing benefit to taxpayers.

Among the expired tax provisions which unquestionably merit extension is the deduction for mortgage insurance premiums. This provision provided critical support to the housing market, and assisted responsible, credit-worthy low and moderate income families in purchasing homes by enabling them to obtain the necessary financing. In addition, mortgage insurance provided much needed support to mortgage markets, and greatly facilitated the origination and marketing of mortgage loans.

According to the Internal Revenue Service, in 2009, the mortgage insurance premium deduction was claimed on 3.6 million tax returns totaling nearly \$5.5 billion in deductions in which a majority of filer incomes were under \$60,000. Few tax provisions which expired at the end of 2011 benefited more individuals. Only the AMT patch and the deductions for state and local sales taxes and education expenses benefited more taxpayers. More importantly, no expired provision targeted low and moderate income individuals in the same way the deduction for mortgage insurance premiums did, or provided greater benefit to taxpayers.

Mortgage insurance premium deduction is also good economic policy. Mortgage insurance premiums are the economic equivalent of interest payments. Mortgage insurance has a direct and quantifiable impact on interest expenses—with mortgage insurance, credit risk declines, and a corresponding reduction in interest costs. Consequently mortgage insurance premiums and interest payments should be treated similarly by the Internal Revenue Code.

The deduction for mortgage insurance premiums expired at the end of last year, risking further disruption in the housing market. Ideally, the provision would be made permanent, and I have introduced legislation, H.R. 1018, which would achieve this goal. The legislation would continue the mortgage insurance premium deduction as it had been in effect through 2011, and retain important limitations which make the deduction available only to low and moderate income homebuyers.

Lawmakers from across the political spectrum have recognized the policy merits of this legislation. The deduction for mortgage insurance premiums has earned broad bipartisan support—it was first enacted by a Republican Congress and signed into law by a Republican President, and was extended by a Democratic Congress and Democratic President.

Thank you again, Mr. Chairman. I look forward to working with you and the Committee to ensure extension of the mortgage insurance premium deduction.