

Resolution No: 4

Date: May 9, 2003

City: Washington, DC

NAHB Resolution

Title: Federal Tax Deductibility of Mortgage Insurance Premiums and
Guaranty Fees for Home Loans
Original Sponsor: Single Family Finance Subcommittee of the Housing Finance Committee

WHEREAS, the greatest impediment to becoming a home owner is accumulating the cash needed for a downpayment;

WHEREAS, the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the Rural Housing Service (RHS) and private mortgage insurance (PMI) companies make low-downpayment loans possible by providing insurance and guarantees that protect lenders and investors from losses in the event of loan defaults by borrowers;

WHEREAS, in return for this insurance and these guarantees, borrowers pay mortgage insurance premiums or guarantee fees to FHA, VA, RHS and PMIs;

WHEREAS, without such programs, many home buyers would be required to put down at least 20 percent of a home's value in order to secure financing for a purchase;

WHEREAS, the Internal Revenue Service has determined that mortgage insurance premiums and guarantee fees are not deductible for income tax purposes;

WHEREAS, some home buyers are able to secure a second mortgage to avoid the requirement, and fees, for government or private backing of their loans; and

WHEREAS, most lower-income first-time home buyers are not eligible for such second mortgage programs;

WHEREAS, the effective cost of homeownership for most families buying homes using lower downpayment loans would be reduced if mortgage insurance premiums and guarantee fees were tax deductible, significantly increasing the success of efforts to expand homeownership opportunities;

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to enact legislation that would allow mortgage insurance premiums and guarantee fees paid for home loans to be tax deductible.

Board of Directors Action:	Approved
Joint Executive/Resolutions Committee Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Taxation Subcommittee of the Federal Government Affairs Committee Action:	Recommends Approval
Single Family Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval