

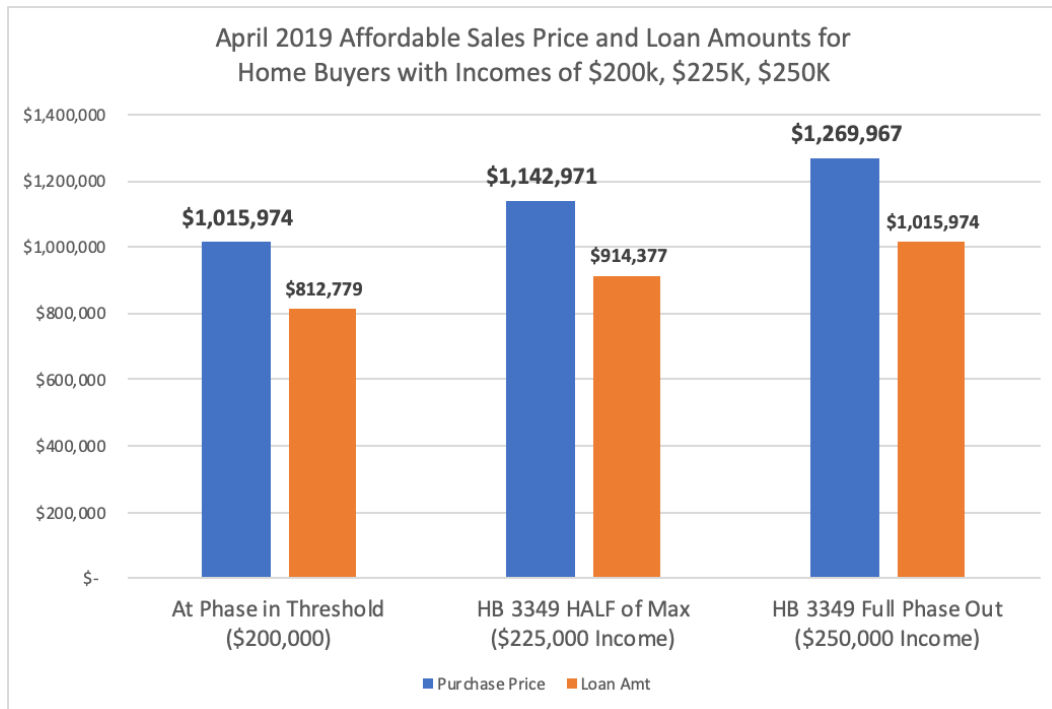
For the record I am a retired Director of the US Department of Housing and Urban Development Oregon Field Office, and a former Chief Underwriter for HUD's Oregon Federal Housing Administration (FHA). I served in those roles in Oregon for more than 20 years.

I have long been a home ownership proponent. I see HB 3349 to be a very modest reform of the state mortgage interest deduction. The impacts on homebuyers with incomes above \$200,000 pale in comparison to the benefits that will be retained by these home buyers and the funding that could be made available for other critical housing needs.

1. Home Buyers With Incomes of \$200,000+ Can Qualify for \$1M+ Sales Prices; Should State Tax Revenue be Diverted to Help Pay for a \$1M+ Home?

The National Association of Realtors publishes an affordability index every month. The assumptions of that index are a 20% down payment, 25% of income for principal and interest, and an interest rate NAR publishes monthly. Their current interest rate is 4.6%; it was just published on Friday April 12, 2019.

Using those assumptions, the graph below shows sales prices and loan amounts that would be affordable at incomes of \$200,000, \$225,000, and \$250,000. ***In each income level affordable sales price exceed \$1M.***



I believe most Oregonians would agree that providing a state income tax subsidy for purchasers who can afford homes with sales prices of more than \$1 million is not the best use of limited state resources, especially given the other financial benefits available to home buyers (and that are NOT available to renters).

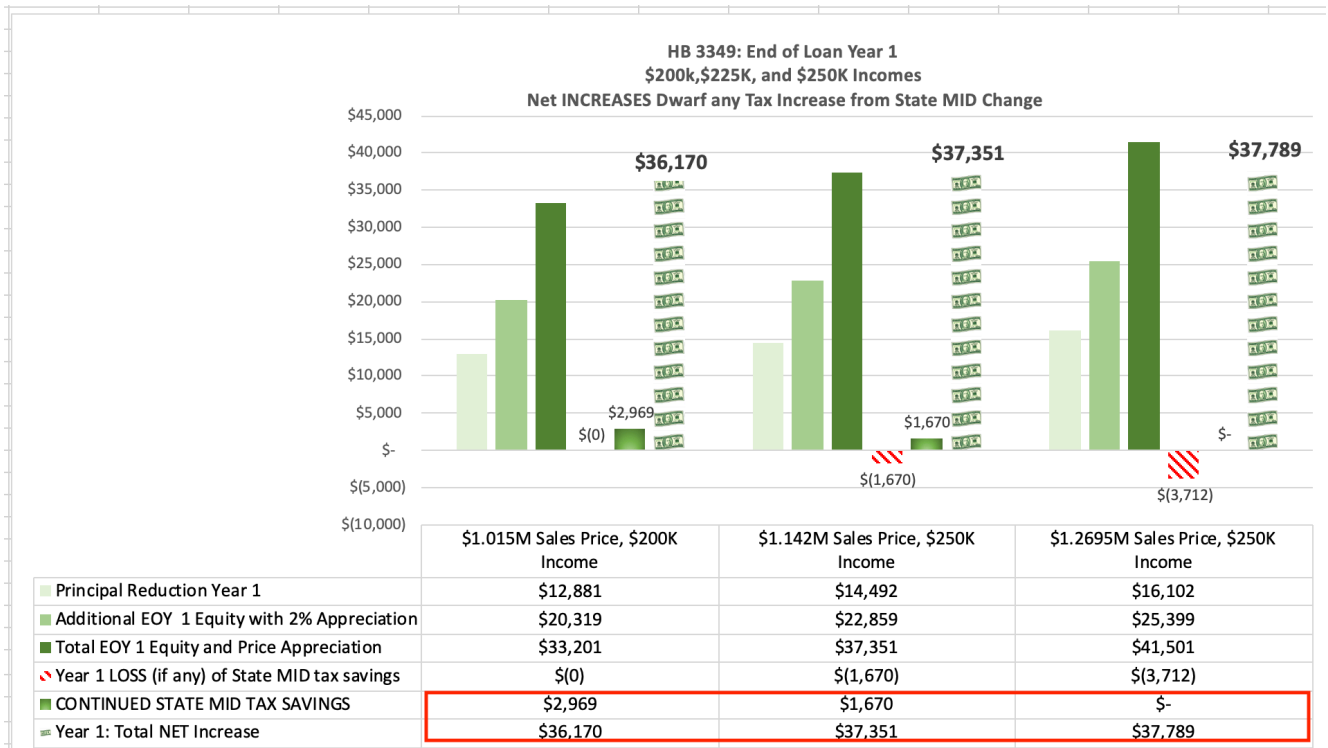
2. The continuing financial benefits of homeownership for high income homebuyers dwarf any reduction in state MID.

The graph pasted below shows the total benefits for higher income homebuyers versus any reduction in MID for those homebuyers. {Page 3 has a table with data supporting this graph and the graph on page 1).

These benefits include:

- Loan principal reduction
- Home price appreciation (I used modest 2% a year).
- Retention of some of state MID tax savings (for homebuyers between \$200k-\$250K, and for ALL homebuyers with incomes below \$200,000). **Note that \$1.1 M home buyer at \$200,000 income retains 100% of state MID tax savings--\$2,969 or \$247 a month.**
- NOT included: Continuing FEDERAL MID and property tax savings. (\$34,000 in mortgage interest and \$10k property tax minus the standard deduction of \$24,000 would add \$6,000 in benefits to a joint filer in the first year at a 30% marginal tax rate).
- NOT included: Oregon homeowners, regardless of income, can continue to deduct their property tax as permitted by current Oregon tax code.
- I used an 8% assumed Oregon marginal tax rate.

Even with the changes proposed in HB 3349, The net continuing benefit to high income homebuyers ranges from \$36,000+-\$37,000 +in the first year alone.



[Detailed table follows on page 3].

Data Used for Graphs on Page 1 and 2.

HB 3349 Mortgage Interest Deduction: Buyers W \$200K Income Qualify for \$1M+ Home Purchase Even with State MID Reductions: Buyers with \$225 and \$250 Incomes Have Net Financial Increases at End of Year 1 of \$37K				
Line Item	Inputs	At Phase in Threshold (\$200,000)	HB 3349 HALF of Max (\$225,000 Income)	HB 3349 Full Phase Out (\$250,000 Income)
1	Purchase Price	\$ 1,015,974	\$ 1,142,971	\$ 1,269,967
2	Down Payment	20%	20%	20%
3	Down Payment	\$ 203,195	\$ 228,594	\$ 253,993
4	Loan Amt	\$ 812,779	\$ 914,377	\$ 1,015,974
5	Int Rate	4.60%	4.60%	4.60%
6	Monthly Payment	(\$4,167)	(\$4,688)	(\$5,208)
7	NAR Qualifying Ratio	25%	25%	25%
8	Income Required	\$ 200,000	\$ 225,000	\$ 250,000
9	Principal Reduction Year 1	\$ 12,881	\$ 14,492	\$ 16,102
10	Additional EOY 1 Equity with 2% Appreciation	\$ 20,319	\$ 22,859	\$ 25,399
11	Total EOY 1 Equity and Price Appreciation	\$ 33,201	\$ 37,351	\$ 41,501
12	Interest Year 1	\$ 37,119	\$ 41,758	\$ 46,398
13	How Much is State MID Phased Out?	0.0%	50.00%	100.00%
14	State Income Tax Rate Assumption	8.0%	8.0%	8.0%
15	Year 1 LOSS (if any) of State MID tax savings	\$ (0)	\$ (1,670)	\$ (3,712)
16	YEAR 1 Continued State MID	\$ 2,969	\$ 1,670	\$ -
17	YEAR 1: NET Increase (Line 11+Line 15+Line 16)	\$ 36,170	\$ 37,351	\$ 37,789