



Policy Options for the Mortgage Interest Deduction

Oregon has many home ownership assistance programs: Individual Development Accounts (IDAs), OHCS programs of loans and grants, grants to Habitat for Humanity, Homebuyers Saving Account credits and the Mortgage Interest Deduction (MID). The MID is where the state spends the most - \$1.01 billion this biennium.

Five Options:

- A. Follow HR 1 law - Mortgage interest and insurance limited to no more than the interest on a \$750,000 mortgage + cost of mortgage interest insurance.***
- B. Revert to pre-2017 law - Mortgage insurance and interest on \$1,000,000 mortgage.***
- C. Mortgage interest deduction only for the first seven years after purchase with phase out through year ten. Year eight, 75% of interest deducted, year nine 50%, year ten 25%, year eleven no deduction for mortgage interest on Oregon tax forms. Available for tax filers on the first home they purchase in this or any other state.***
- D. Reduce interest allowed to that on \$500,000 mortgage and include mortgage insurance (which is needed when a buyer is without 20% down) Note: the state's average first time homebuyers mortgage is currently \$489,000.***
- E. Mortgage interest deduction only for filers with income of less than \$120k single/\$175k joint phasing out at \$150k/\$205k. Note: It takes \$125k in income to support a \$500,000 home purchase.***
- F. If using standard deduction on federal tax return, filers can itemize mortgage interest on Oregon's tax return. But if itemizing on federal tax return, filers cannot also itemize mortgage interest on Oregon's tax return.***

Currently available homeownership supports:

- Savings for homeownership through IDAs are matched by up to 500%
- OHCS funds organizations down payment assistance programs. Buyers receive up to \$60,000 in down payment and closing fee assistance for those with less than 100% AMI. <https://www.oregon.gov/ohcs/homeownership/homebuyers/pages/down-payment-assistance.aspx>
- OHCS provides two lower-than-market rate loan products through OHCS' Flex Lending program that can be paired with down payment assistance to pay for up to 100% of the closing costs.
- [Oregon's First-time homeowners savings accounts](#) allow account holders to subtract from income up to \$6,125 a year (for 2025) in contributions and interest earnings, or up to \$12,245 for those filing a joint return. Account holders may subtract contributions and interest earnings for up to 10 years, or until an aggregate total of \$50,000, or \$100,00 for joint filers, is reached. The maximum subtraction amount is also limited by federal adjusted gross income.
- OHCS's [MIRL](#) provides zero-interest loans to cities and counties for new housing units that do not have enough financing to start construction. Housing built under this program must be rented or sold to families making less than 120% of the Area Median Income (AMI) during the lifespan of the loan, typically ten years. The loan is repaid through a fee in-lieu of property taxes, allowing the state to repeatedly lend out the funds and drive future housing construction.
- Mortgage interest is deductible for the first \$750,000 of a loan + the cost of Mortgage Insurance.

Mortgage Insurance premiums are included along with mortgage interest in the HR 1 provision as it was prior to 2021. Mortgage Insurance is required for those with less than a 20% down payment, usually until they have a 20% equity interest in the home through payments and increases in value. Effective 1.1.2026. HR 1 makes this provision permanent.

Filers must itemize to use. Premium is added to mortgage interest, which is the interest on no more than \$750,000 of mortgage loan.

A mortgage business wrote:

In Oregon

9,558 Homeowners Helped in 2024

63% First-Time Homebuyers in 2024

\$460,038 Avg. Loan Amount Purchased/Refinanced with PMI in 2024

30 Years to Save for 20% Down payment VS **11 Years** for 5% Down Payment