

## **“BEYOND THE RHETORIC”**

**Harry C. Alford**

### **Let's Help to Increase Homeownership**

A new federal income tax deduction has the double benefit of reducing the tax burden on low and moderate income families while also helping promote homeownership throughout our nation. The new deduction enables qualified families who buy or refinance a home in tax year 2007 to deduct government and private mortgage insurance premiums paid on their loan.

Passage of this tax break is good for families and good for communities, and Congress should vote to continue the deduction – now scheduled to expire at the end of the year – into the future.

I have argued for a long time that our government should find ways to lesson the tax burden on Americans, and this tax change is focused directly on helping low and moderate income families. This change in tax law could mean an estimated \$300 to \$350 tax savings per family for those who qualify.

Under this new law, private and government mortgage insurance premiums are fully tax deductible for borrowers who buy or refinance a home this year if their adjusted gross income is \$100,000 or less. Families with incomes of more than \$100,000 and up to \$109,000 will be eligible for a reduced deduction.

The National Black Chamber of Commerce believes that affordable housing is essential, and we have been working to help low and moderate income families find affordable homes. This tax deduction is a big step in the right direction in making the goal of affordable homeownership a reality for many African Americans.

Homeownership also benefits communities, as people who own a home feel more invested in

their neighborhoods, which in turn helps create safer, more stable communities. On the other side, studies show that communities with low ownership are inherently less prosperous, less stable, and suffer a disproportionate share of social ills, including higher crime rates, illiteracy, and unemployment. These communities become a blue print for a future ghetto. Such has been our plight as we witnessed Compton, Inglewood, Gary, Detroit, etc. turn from prosperity to blight.

This new tax break will also help narrow the homeownership gap for minorities. While Census figures show that the national homeownership rate is 68.9 percent, only about 46 percent of African Americans own their homes.

The National Black Chamber of Commerce supported passage by Congress of this deduction, along with a broad coalition of African American, Hispanic, housing, consumer and taxpayer groups.

The approval of this new tax break was important because it's the first time that mortgage insurance premiums are tax deductible. But the law provided the deduction only for 2007, and Congress should renew that provision beyond this year – and continue giving taxpayers this needed assistance.

Mortgage insurance is usually required by lenders on home loans when the buyer does not have at least 20 percent for a down payment. In today's market, that 20 percent threshold is out of reach for many families. Consider this: the median price of a home today in our country is about \$220,000, which means that a family would need to save \$44,000 to have a 20 percent down payment.

That's not very realistic to expect, and it is not what is happening in the real estate market. A recent study by the National Association of Realtors of home transactions between the middle of 2005 and the middle of 2006 found that the typical first-time buyer had a down payment of only 2 percent – far less than the traditional 20 percent required by lenders.

Our government policies should do as much as possible to help promote homeownership, especially in times like these when real estate market conditions are changing and people are increasingly worried about risky exotic home financing arrangements.

Thankfully, there are indications that Congress understands how important it is to extend this tax deduction. A bipartisan group of members of the U.S. House of Representatives have joined together to introduce legislation (HR 1813) to continue the mortgage insurance tax deduction.

The House and the U.S. Senate should get behind this bill, continue the tax deduction for mortgage insurance and show their continued support for strengthening homeownership in America. More of us should feel free to call their respective congressional office as well as their senators and simply voice support of this legislation. Simply say "I want the congressman/senator to support HR 1813. It is good for home owners and those who want to own a home. Thank you." Simple calls and emails like that can make a difference. Politicians move to the lines of least resistance and listen to the mood of their constituents. It is important that they understand the mood of the people who can reelect them or vote them out. You will get their attention if you show that you care and are watching them.

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