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Support for HB 4136: Reforming the Mortgage Interest Deduction to Fund Down Payment Assistance

Chair Nathanson, Vice-Chairs Reschke and Walters, and Members of the Committee:

For the record, my name is Kevin Cronin, and I am the Director of Policy and Advocacy at Housing Oregon. We are a statewide association representing 147 mission-driven organizations that build, finance, operate, and support affordable housing across urban, rural, and frontier communities.

Housing Oregon strongly supports HB 4136.

HB 4136 makes a focused adjustment to Oregon's mortgage interest deduction. It does not eliminate the deduction for primary residences. It does not affect first-time homebuyers. It applies only to second houses.

This is a modest reform. It ends the use of public tax expenditures to subsidize second houses and redirects that revenue toward helping Oregonians purchase their first home.

In 2022, the Oregon Secretary of State's audit of tax expenditures found that the mortgage interest deduction lacks a clearly articulated legislative purpose. HB 4136 provides a clear purpose: expanding access to homeownership and addressing longstanding disparities in who gets to own a home in Oregon.

Housing costs in Oregon have risen sharply. In 2023, the typical home price in Oregon was approximately \$528,000, significantly above the national average and substantially higher than pre-pandemic levels. At the same time, higher interest rates have pushed monthly payments even further out of reach.

Oregon is consistently ranked among the most difficult states in which to save money. For many working households, the issue is not whether they can manage a mortgage payment. The issue is assembling enough cash upfront to make an offer.

A traditional 20 percent down payment on a \$528,000 home exceeds \$100,000. Even more modest down payments can require tens of thousands of dollars. For families without access to generational wealth, that threshold is simply unattainable.

Oregon has studied this issue extensively.

HB 4010 (2018) and HB 2007 (2021) both created task forces examining barriers to homeownership. The 2022 Joint Task Force on Addressing Racial Disparities in Homeownership identified sustained funding for down payment assistance as a core recommendation.

The data is clear. Since 2013, the gap between Black, American Indian, and Alaska Native homeownership rates and white homeownership rates has widened. Other communities of color also remain far below white homeownership rates. Without intentional intervention, those disparities persist.

Down payment assistance is one of the most effective tools available to address this barrier.

In the 2023–25 biennium, approximately \$25 million in down payment assistance through Oregon Housing and Community Services helped 601 first-time and first-generation homebuyers purchase homes. These buyers completed homeownership education and counseling. The average assistance amount was far below 20 percent of the purchase price and is repaid upon sale. It is a bridge to ownership, not a windfall.

Despite these proven outcomes, the program lacks a stable, dedicated funding source. In the 2025 session, funding was reduced due to overall revenue constraints.

HB 4136 dedicates approximately \$10 million per year to sustain and stabilize this tool.

Last session, Oregon adopted a statewide homeownership goal. If we are serious about expanding access and narrowing racial disparities, our tax policy must align with that objective.

Continuing to subsidize second houses while first-time buyers struggle to assemble a down payment is a misalignment of public resources. Redirecting a narrowly defined tax benefit toward first-time and first-generation buyers is fiscally responsible and consistent with Oregon's housing priorities.

HB 4136 does not raise taxes on primary residences. It makes a straightforward choice about how limited public dollars are used: prioritizing households who will live in their homes year-round and build stability in their communities.

Housing Oregon respectfully urges your support for HB 4136.

Sincerely,

Kevin Cronin
Director, Policy & Advocacy
Housing Oregon