

COMMENTARY

## Comment: Governor should veto change to mortgage interest deduction

A provision in state tax legislation would increase mortgage costs for families buying homes.

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**OPINION** **COMMENTARY**

**By Matthew Mullet and Deanne and Duane Landsverk / For The Herald**

As a community bank and a local home builder with deep roots in Snohomish County, we come from different sides of the housing equation — financing and construction — but we serve the same mission: helping working families afford homes in the communities where they live and work. If a portion of Senate Bill 5794 becomes law, that work will be greatly jeopardized.

We urge Gov. Bob Ferguson to veto provisions in SB 5794 that would eliminate the first mortgage interest deduction for Washington's community banks. While it may seem like a minor tax change, it would directly impact banks' ability to serve moderate-income homebuyers, especially in places like Everett and greater Snohomish County, where housing affordability is already at crisis levels.

Community banks are not just lenders; we are long-term partners that bring capital, innovation and local engagement to some of our state's most difficult housing challenges. There are 35 community banks headquartered in Washington, with more than 650 branches across the state. These banks have a vested interest in supporting affordable housing efforts and partnering with local builders, like Landsverk Quality Homes, to help their local communities thrive.

This deduction is one of the few state policies that help smaller, Washington-based banks keep mortgage lending accessible and affordable. It encourages community banks to participate in and support affordable homeownership and community-based housing initiatives. The resulting partnerships, like that of Landsverk Quality

Homes and 1st Security Bank, make housing projects spring to life; like Velorum, a 10-unit cottage home site or Solana Townhomes, both in Mountlake Terrace.

Community banks aren't asking for special treatment; they will still pay the state's B&O tax increase of 20 percent like everyone else in the new budget. But this specific section in SB 5794 means that community banks are specifically targeted to pay another 80 percent to 200 percent above the statewide tax increase. In turn, they will be forced to either reduce their loan offerings to working families or pass along additional fees to families already stretching to make homeownership happen. Estimates for a \$500,000 loan suggest an added cost of \$7,000 for a hopeful homeowner.

Eliminating the first mortgage interest deduction doesn't just hurt community banks; it hurts families. It means fewer loan options for working families and reduced investment in the affordable housing projects which are so important to Washington voters.

Snohomish County, like many areas of the state, is suffering deeply from the confluence of slowly rising median incomes with rapidly rising housing costs. The average household can no longer afford the average home. Removing a support mechanism from the housing system, particularly on the financing side, moves us further from a solution. If we want to increase housing supply and access, we need every effective tool available to us. That includes maintaining the mortgage deduction that makes middle and lower income lending viable.

Gov. Ferguson and the Legislature have taken meaningful steps this year to support affordable housing. But progress will stall if we undermine the financing pathways that help families turn those homes into futures. This isn't about protecting banks or builders. It's about standing with working families who deserve a fair shot at buying a home in the communities they work in and call home.

We respectfully urge the governor to veto this harmful provision in SB 5794 and preserve a vital resource for affordable housing efforts and working families across Washington.

*Matthew Mullet is president of 1st Security Bank, based in Mountlake Terrace. They have 24 branches in Washington with four of those locations in Snohomish County including their headquarters. Deanne and Duane Landsverk are co-founders of Landsverk Quality Homes and lifelong Snohomish County residents. They have been in business for more than 40 years and operate their family business with a mission of building community and helping working families.*