

May 13, 2025

The Honorable Bob Ferguson
Governor of Washington

RE: Partial Veto Request – SB 5794 and the First Mortgage Interest Deduction

Dear Governor Ferguson,

We are a broad coalition of housing advocates – including nonprofit housing organizations, community banks, builders, community partners, and individual homeowners. We are all dedicated to expanding access to housing in Washington State and respectfully urge you to veto Subsections (4) and (5) within Section 105 of SB 5794 to save the mortgage interest deduction and support working families and affordable housing in Washington.

This policy change would directly undermine the financial partnerships essential to our goal of creating and preserving affordable – both rental and purchased – housing for middle, low-income, and underserved communities.

We are just a few of the many people throughout the state that understand the connection between community banks and affordable housing goals. The collaboration and commitment of Washington's community banking industry makes so many things possible – from affordable housing projects to new mortgages first-time buyers.

Community banks are not just lenders; they are long-term partners that bring capital, innovation, and local engagement to some of our most difficult housing challenges. The first mortgage interest deduction has been one of the few policy incentives encouraging community banks to participate in and support affordable homeownership and community-based housing initiatives.

Over the many decades we have worked together in this state and seen thousands of stories of families obtaining the dream of homeownership or finally finding stable housing after years of volatility. These happy endings would not have been possible without the support of the local, community-focused banks that helped fund the project initially.

Eliminating this deduction will make it significantly more costly for community banks to offer mortgage products, particularly those that serve the low and moderate-income borrowers. This change risks reducing the pool of lenders in the state and raising the cost of borrowing for home buyers, which would be devastating in a state already grappling with a housing supply and affordability crisis.

This risk is compounded by growing uncertainty at the federal level. Many of our organizations rely on HUD funding, federal grants, and tax credit programs to keep projects viable. As Congress continues to debate deep cuts to domestic spending, housing programs face potential reductions or delays that threaten our timelines, budgets, and even project completion. In such a precarious environment, it is more important than ever that we maintain stable, predictable local policies

that encourage private sector participation and preserve existing financial tools like the mortgage interest deduction.

Through these partnerships, community banks have:

- **Built and financed permanently affordable homes, both rental and purchase,** for working families who would otherwise be priced out of the market.
- **Secured creative lending solutions** for supportive housing projects serving individuals exiting homelessness.
- **Expanded access to down payment assistance programs,** financial education, and community reinvestment grants.

The loss of this deduction will likely curtail these types of partnerships at a time when the need for affordable housing has never been greater. At the end of April, Axios Seattle reported on new Zillow data that first-time homebuyers in Seattle now need \$1 million in at least eight local cities¹. That is five to 10 times more expensive than the national average price of a starter home of \$193,000. Local buyers need to make at least \$178,000 a year to afford today's mortgage payment, and many in the younger generations are simply moving away rather than trying to compete.

We urge you to consider this policy change's broader impact on our communities, not just on community banks, but on the families and individuals who depend on stable, affordable housing to thrive.

We respectfully request that you veto this provision of SB 5794 and preserve the vital financial tools that help us move closer to our shared goal: a Washington where everyone has a place to call home.

Sincerely,

Walla Walla Housing Authority – Renée Rooker, Executive Director
Homestead Community Land Trust – Kathleen Hosfeld, Executive Director
Soundbuilt Homes – Kurt Wilson, COO
Catholic Housing Services of Yakima – Bryan Ketcham, VP and Director of Housing Services
Homes and Hope Community Land Trust – Kim Toskey, President & CEO
Landsverk Quality Homes – Duane and Deanne Landsverk, Co-Founders
Great Expectations, LLC – Ben Maritz, Founder & CEO
Urban Housing Ventures – Tom Lindquist, Co-Founder & Managing Member
Westcott Homes – Kerek R. Edwards, President
Kitsap Bank – Anthony George, President
Commencement Bank – John Manolides, CEO
Olympia Federal Savings – Josh Deck, President & CEO
Bank of the Pacific – Denise Portmann, President & CEO

¹ <https://wwwaxios.com/local/seattle/2025/04/29/starter-homes-million-zillow-suburbs-washington>

Banner Bank – Mark Grescovich, President & CEO
Peoples Bank – Lisa Hefter, President & COO
Timberland Bank – Dean Brydon, CEO
Yakima Federal Savings – Dan Gaulke, President & CEO
WaFd Bank – Brent Beardall, President & CEO
WaTrust Bank – Jack Heath, CEO
Heritage Bank – Bryan McDonald, President & CEO
Mortgage Bankers Association – William Kooper, VP Gov Affairs and Industry Relations
Pacific Crest Bank – Sheryl Nilson, Vice Chair, President and CEO
HomeStreet Bank – Mark Mason, President & CEO
State Bank Northwest – Gregory Deckard, Chairman and CEO
American Reporting Company
SaviBank – Michal Cann, Chairman of the Board
Sound Community Bank – Laurie Stewart, President & CEO
RiverBank – Mike Wilson, CEO
1st Security Bank – Matthew Mullet, President & CFO
Mountain Pacific Bank – Mark Duffy, President & CEO
FirstFed Bank – Matt Deines, President and CEO
Cashmere Valley Bank – Greg Oakes, President & CEO
Baker Boyer Bank – Mark Kajita, President & CEO
Wheatland Bank, a Division of Glacier Bank – Susan Horton, President & CEO