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GUEST OPINION

We can't solve the housing crisis by reducing our options

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Last month, Michele closed on the purchase of her first home. This was the culmination of nine months of work with her local community bank to do something she thought was out of her grasp. As a single mom making less than 80% Area Median Income, homeownership didn't seem possible. But last year, she decided to reach out to her bank just in case and was in joyful disbelief to learn about the potential options available to her. Ultimately, her bank worked with the Washington State Housing Finance Commission to secure a home loan for Michele through the House Key Opportunity Program.

Michele's story is heartwarming, but it is not unique. Across Washington, community banks, homebuilders and housing assistance providers work together with low- and middle-income families to achieve homeownership in an increasingly difficult housing market every single day. Each brings something essential: the financing options that keep homes affordable, and the development and management of the homes themselves that meet real community needs.

But we're deeply concerned that a critical tool in this effort is about to be lost.

Senate Bill 5794 includes a provision that would eliminate the first mortgage interest deduction for community banks operating in Washington. We are asking Gov. Bob Ferguson to veto this portion of the bill. This deduction is not a loophole or a handout. It's a long-standing policy that encourages smaller, locally headquartered banks to stay in the residential lending business and partner with local builders and housing providers to support housing options for local working families, like Michele's.

Together, community banks, builders and housing authorities are essential pieces of the housing solution in Washington. We have built, managed and financed homes for people exiting homelessness, supported down payment assistance programs, and backed developments that will remain affordable for renters and homeowners alike. None of this happens without stable, mission-aligned financing.

The first mortgage interest deduction enables community banks to invest in affordable housing projects – many of which wouldn’t pencil out without their partnership. Homebuilders and housing assistance providers rely on that participation to bring new homes to market that are priced for working families.

If this deduction is removed, the cost of doing this kind of lending to families like Michele’s may be out of reach for community banks who expect to see their annual tax bills increase by 80-200%. Unable to absorb that financial impact, banks will have to consider higher loan fees, fewer loan options or both.

With growing uncertainty at the federal level, and key housing programs under threat of funding cuts or delays, the housing landscape has become even more fragile. Now is not the time to dismantle local tools that work for families like Michele’s. On the contrary, we need to preserve and strengthen them.

This comes at a time when housing affordability is already in crisis. Median house prices continue to rise dramatically faster than median income levels throughout Washington. Add that to shortages in affordable housing inventories, and many working families are left with only two options: move away or give up on homeownership.

Thankfully, Michele didn’t give up. She worked face-to-face and hand-in-hand with her local bank to gain a foothold despite the difficult market. There are thousands of stories just like hers across Washington.

Washington has taken meaningful steps toward addressing our housing crisis, with strong bipartisan support for new affordable housing legislation this year. But SB 5794 will undercut that progress – by weakening the local financial partnerships that make housing projects possible and limiting the financing options working families need to purchase those homes.

We urge Gov. Ferguson to protect a key piece of the housing affordability puzzle. Veto subsections 4 and 5 of Section 105 in SB 5794. Let’s protect the tools that our state needs to ease the housing crisis.

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