



## TAX DEDUCTIBILITY

### Genworth Mortgage Insurance

## FREQUENTLY ASKED QUESTIONS ABOUT MI TAX DEDUCTIBILITY FEATURE

#### **Q. What is mortgage insurance tax deductibility?**

A. This refers to the new federal legislation recently passed by Congress that makes the mortgage insurance (MI) premium paid by the homeowner tax-deductible for federal income tax purposes.

#### **Q. How will a MI tax deduction help homeowners?**

A. Until now (as of 1/1/07), borrowers could not deduct the cost of their MI payments from their income for Federal tax purposes. With deductible MI premiums for individuals and families earning under \$110,000 a year, the cost of homeownership is further reduced. This helps borrowers get into homes they might not have otherwise.

#### **Q. How much will a typical homeowner with MI save?**

A. We estimate that eligible homeowners will save \$200-\$400 annually.

#### **Q. How many people use mortgage insurance?**

A. Approximately 10 million people now use MI. Mortgage Insurance is a critical factor in helping first-time, low-income, middle-income families and emerging market buyers become homeowners. Over the last five years, MI programs covered 47% of all home purchase loans made to African American and Hispanic borrowers, and 47% of borrowers with incomes below the median income for their area.

#### **Q. Why did this legislation pass?**

A. Homeownership helps create stable and safe communities. That's why expansion of homeownership has been a long-standing goal of the Federal government. The added deduction for MI will help put that goal within

reach for many groups that have typically been unable to purchase homes – young people, low-income, and emerging market buyers.

#### **Q. What does this legislation specifically cover?**

A. This legislation affects anyone who purchases a home after January 1, 2007, and pays a MI premium. Mortgage insurance premiums will be fully deductible for taxpayers earning up to \$100,000. The amount of the deduction phases out for annual earnings between \$100,000 and \$110,000. No tax deduction is available for anyone with adjusted household income in excess of \$110,000.

#### **Q. When will the MI tax deduction be available?**

A. The tax deductibility will be available for home purchased after January 1, 2007, subject to the earnings limitations mentioned above.

#### **Q. Will this deduction be available indefinitely?**

A. As the legislation currently stands, the MI tax deduction will be available for the tax year 2007. However, Congress may extend the deduction to future tax years.

#### **Q. What is a lender's responsibility?**

A. The lender will need to include the homeowner's total MI premium in their end-of-year statement. The homeowner is responsible for the deduction.

#### **Q. How will the homeowner know the amount of the MI paid?**

A. The amount of the MI premium is listed on the disclosure documents that borrowers receive at closing. It is also listed on the annual escrow statement the borrower receives from the loan servicer each year.