



End Mortgage-Interest Deduction: Cato's Calabria

MORTGAGE-INTEREST DEDUCTION, TAXES, HOMES, SALES, DEBT, FINANCIAL CRISIS, CATO INSTITUTE, NASSAU COUNTY BOARD OF REALTORS, NEW YORK, LAWRENCE YUN, MARK CALABRIA, CONGRESS, BUDGET GAP, [CNBC.com](#) | 28 May 2010 | 01:45 PM ET

Abolishing the mortgage-interest deduction, enjoyed by some 75 million homeowners, is a way to "end the subsidization of too much debt," which was at the crux of the financial meltdown, a Cato Institute official told CNBC Friday.

It's also a way to really tick off a lot of people. Americans who own homes, unlike those in other countries, have been enjoying this deduction for a century or so.

"When you look at other countries, like Canada, that don't have the [mortgage-interest deduction](#), they have similar, if not higher mortgage rates," said Mark Calabria, Cato's director of financial regulation studies.

"All it does is run up house prices [here in the US], which to me makes housing less affordable, not more," he added. "It also increases the volatility of prices."

Congress is considering eliminating the deduction as a way to raise revenue and close the budget gap. This move would add an estimated \$120 billion to the Treasury coffers.

"I'm not in favor of it to raise taxes," added Calabria. "You need it to get rid of it in a budget-neutral way. You could use it to offset marginal taxes on income."

Calabria conceded the deduction could be kept in place for those who have, for instance, at least 30 percent of equity in their homes, but not those who have less.

Not surprisingly, those in the real estate industry favor keeping the deduction in place. It means more business for them and higher commissions for agents.

According to Lawrence Yun of the National Association of Realtors, "This will result in a massive distribution of wealth in America. It's a bad policy."

And, he added, it sends the wrong message to the American public: "Fifteen US Presidents have been able to handle the budget situation without touching the mortgage-interest deduction. If the new political class decides to touch it, that shows a level of weakness that they can not handle a grown-up budget."

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