

PHH Pricing Announcement

Mortgage Insurance (MI) will be Tax Deductible for Select Income Brackets

FYI Number: FYI 07-0006

Issue Date: 07/11/2006

Applicable to Tiers: 3, 6 & 7

Congress recently passed legislation allowing MI payments to be tax deductible for mortgages closed in 2007.

The Mortgage Insurance Fairness Act will allow homeowners with adjusted household incomes of \$109,000 or less to deduct some or all of the cost of their MI premiums from their annual income on their **2007** federal tax returns.

Eligibility Parameters

- Loans closing in 2007 (January 1st – December 31st) that are required to pay private mortgage insurance, FHA Mortgage Insurance Premium (MIP) or the VA Funding Fee. *Note: The legislation will be evaluated for extension into future years by Congress towards the end of 2007.*
- All MI payment options are eligible for deduction under the new law. In the case of the Financed/Single Premium option, a portion of the up front premium may be deductible in the first year. If the law is extended, the remaining portion may be deductible in subsequent years. A tax advisor should be consulted to determine the actual deduction amount.
- Purchase and refinance transactions are eligible
- Eligible primary residence and second homes are permissible. Additional restrictions for investment properties apply and should be discussed with a tax advisor.

Tax benefit

- Mortgage insurance premiums will be 100% deductible for households whose adjusted gross income is \$100,000 or less
- The tax benefit for households with adjusted gross income between \$100,001 and \$109,000 is based on the following declining scale:

Adjusted Gross Income	Percent of Deductible MI
\$100,000 or less	100%
\$100,001 - \$101,000	90%
\$101,001 - \$102,000	80%
\$102,001 - \$103,000	70%
\$103,001 - \$104,000	60%
\$104,001 - \$105,000	50%
\$105,001 - \$106,000	40%
\$106,001 - \$107,000	30%
\$107,001 - \$108,000	20%
\$108,001 - \$109,000	10%
\$109,001 or more	0%

As a reminder, customers should seek tax advice from a qualified tax advisor. The mortgage lender can not provide tax advice or confirm that the customer will qualify for the new MI Tax Deduction.



Providing Financing for the American Dream.



Mortgage Insurance (MI) will be Tax Deductible for Select Income Brackets

PHH Mortgage
4001 Leadenhall Road
Mt. Laurel, NJ 08054

Loans **not** eligible for the tax benefit

- Loans closed prior to January 1, 2007 are not eligible
- Households with adjusted income above \$109,000.00 are not eligible

In addition, any “cash-out” proceeds received as part a refinance transaction are not eligible to receive a tax benefit. So, the amount of cash received i.e. debt consolidation, cash in hand etc. must be deducted from the loan amount to determine the percentage of tax benefit eligibility. For example:

- Unpaid Principal Balance on existing loan = \$90,000
- New Refinance Loan Amount = \$100,000
- Amount of funds received as “cash out” = \$10,000 or 10% therefore 90% of MI premium paid will be eligible for the new tax benefit.

As always, we thank you for your business!