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Q: How will the new legislation affect mortgage deductibility? (and a quick update on rates)

Answer:

I'll start with a rate update since we would all love for mortgage rates to come down. Rates are still up in the high 6's (with no points, low to mid 6's with points) and the current outlook is they could go either way. If the tariff's present inflation, mortgage rates would likely go up. If we get a recession, mortgage rates would likely go down. The labor market is showing signs of weakness so there is a valid chance of a recession this year still but there is also a chance we could continue to be at these rates for awhile.

New Legislation

The legislation that Trump signed into law on July 4th has a couple of mortgage nuggets that could affect divorcing clients so I wanted to give you a quick heads up.

Mortgage Insurance (MI)

Monthly MI could be tax deductible. **However**, this deduction is only for up to \$54K in AGI income for those single or married filing separately and \$109K in AGI income for married filing jointly. So if they earn over these amounts, they don't qualify for this deduction. The bottom line here is not many people will be able to take this deduction.

Mortgage Interest



Brett has been a respected Mortgage Professional since 2002 and he specializes in home mortgage transactions surrounding a divorce, such as how to remove a name from a current loan and determining if and when you can buy another home.

Brett has been a featured guest on WCCO's Real Estate Radio Hour to discuss common mistakes divorcing couples make with their home mortgage during the divorce. Also, he has spoken at Family Law Bar Association meetings and FLI

If your loan balance is less than \$750K, you can deduct the interest portion of your monthly principal and interest payments. This deduction is regardless of your income.

Note: BOTH of these deductions are only applicable if you itemize rather than taking the standard deduction and the new legislation increased the standard deduction up to \$14,600 for single and \$29,200 married for 2025. So, again, many people probably won't be using either of these deductions because, with the new higher limits, the standard deduction will likely be higher than itemizing.

Disclaimer - I am not a tax advisor, so please verify this information independently.

Call me anytime to discuss this topic further or if you simply have a mortgage question.

Warm Regards,

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