**TALKING POINTS-Mortgage Forgiveness Debt Relief Act**

We need Congress to act as soon as it returns in January to pass the [Mortgage Forgiveness Debt Relief Act](http://www.irs.gov/Individuals/The-Mortgage-Forgiveness-Debt-Relief-Act-and-Debt-Cancellation). This important bill protects people from owing taxes on the amount of their mortgage that is forgiven if they receive a mortgage modification with principal reduction. In short, it protects families from tax surprises that could otherwise jeopardize their financial security. This protection has been in place on a temporary basis since 2007, and so far has been extended each time it was about to expire. It was last extended in the fiscal cliff deal passed in January 2013, but just for one year, so it is now set to expire on December 31st. Congress failed to pass an extension before shutting down for the holidays, so we need them to make this a first priority when they return in January 2014.

If this bill is not passed, homeowners struggling to pay their mortgages who are able to get a modification that includes a principal reduction (a reduction in the amount of their loan) will have to pay taxes on that principal reduction as if it were income. Of course, most families in this situation absolutely cannot afford to do that. Recently the Federal Government reached a settlement with JP Morgan Chase that should increase the number of people able to get mortgage modifications and save their homes, making it even more important to keep this tax protection in place. Otherwise families will be left with two bad options: either they will be unable to accept a principal reduction they desperately need, or they will face an impossible tax bill.

Please call your member of Congress and ask them to support this important legislation, to co-sponsor it, and to do everything they can to get it passed right away. In the Senate, Democrats serving on the Finance Committee (Rockefeller-WV, Wyden-OR, Schumer-NY, Cantwell-WA, Nelson-FL, Menendez-NJ, Carper-DE, Cardin-MD, Brown-OH, Bennett-CO, Casey-PA) should be contacted and urged to support moving their version separately, and faster, than the other tax extenders given the extreme urgency of the relief.

* We urge you to co-sponsor this important piece of legislation, and urge House leaders to bring the Mortgage Relief Debt Act to the floor as a first priority in January.
* If the provisions of the Mortgage Forgiveness Debt Relief Act are not extended, many homeowners will be left without tax protections that have been in place since 2007. More than [7 million homeowners](http://www.corelogic.com/research/negative-equity/corelogic-q2-2013-equity-report.pdf) – or 15 percent of all mortgages – are still underwater, and more than 6 percent are underwater by more than 25 percent of their home’s value.  What is meant to bring financial relief will instead cause vulnerable homeowners’ tax liability to skyrocket.

* The law has been extended twice in the past, and enjoys bipartisan support. H.R. 2994 has a [bipartisan group of cosponsors](http://beta.congress.gov/bill/113th/house-bill/2994/cosponsors) as well as the support of Rep. Dave Camp (R-MI), the Chairman of the Ways and Means Committee. S. 1187, the [Senate version](http://www.stabenow.senate.gov/?p=press_release&id=1056), introduced by Senators Debbie Stabenow (D-MI) and Dean Heller (R-NV), would provide an extension for two years.
* The passage of this bill, and the extension of tax relief, would help both individual families and communities regain stability. The recent settlement with JPMorgan Chase means that more borrowers should be able to get mortgage modifications that will help them keep paying their mortgages and stay in their homes. But it won’t work if this tax protection is not in place. .