

November 3, 2025

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Federal Housing Finance Agency
400 7th Street, SW
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Via FHFA Agency Website: <https://www.fhfa.gov/regulation/federal-register>

Re: RIN 2590-AB59: Notice of Proposed Rulemaking; 2026-2028 Enterprise Housing Goals

Dear Associate Director Bloomfield and Counsel Jones:

It is a pleasure to submit comments on behalf of Ceres and the Ceres Accelerator for Sustainable Capital Markets. [Ceres](#) is a nonprofit advocacy organization with over 30 years of experience working to accelerate the transition to a cleaner, more just, and resilient economy. Our [Investor Network](#), [Company Network](#), and [Policy Network](#) include many large US institutional investors and large companies with whom we work on a range of sustainability-related and policy-related issues. The [Ceres Accelerator for Sustainable Capital Markets](#) aims to transform the practices and policies that govern capital markets by engaging federal and state regulators, financial institutions, investors, and corporate boards to address weather-driven risk as a systemic financial risk. The comments provided herein represent only the opinions of Ceres, and do not necessarily infer endorsement by each member of our Investor, Company, or Policy Networks.

We support the Federal Housing Finance Agency's (FHFA) proposal to uphold the Government Sponsored Enterprises' (GSEs) current multifamily housing goals to maintain and enable pathways for lower-income homebuyers to build wealth through affordable homeownership. We also urge the FHFA to retain the GSEs' single-family home purchase goal targets and separate subgoals categories for low-income census tracts and minority census tracts.

Ceres is writing in opposition to two specific changes in the FHFA's proposal to lower the GSEs' 2026-2028 affordable housing goals: 1) the reduction of the single-family low-income and very low-income purchase targets and 2) the merging of the low-income census tracts and minority census tracts subgoals into a single low-income areas subgoal. Such changes would materially weaken FHFA's statutory obligation under 12 U.S.C. § 4561 to facilitate financing for low- and moderate-income families, and under § 4513(a) to operate in the public interest.

Our concerns are grounded in the risk that lowering the goal targets and combining the low-income census tracts and minority census tracts subgoals into a single low-income areas subgoal will directly reduce measurable progress toward equitable access and thereby weaken the primary

accountability mechanism through which FHFA fulfills its Affordable Access and Equity mission. Lowering the Enterprise Housing Goals risks undermining equitable homeownership access when low- and moderate-income (LMI) families are already confronting difficult financial hardships from grappling with [deepening affordable housing gaps](#), [rising inflation rates](#), [insurance volatility](#), and less recognized vulnerabilities driven by their disproportionate exposure to [increasing natural disasters and extreme weather events](#). These considerations have compounding effects on underserved borrowers and contribute to threatening the safety and soundness of the housing finance system. As a driving force for incentivizing the GSEs to advance equitable housing for lower-income borrowers and thereby helping to move the advancement of millions of Americans in pursuing their homeownership goals during an existing [affordable housing crisis](#), we ask that the FHFA withdraw the proposal being advanced to avoid the risk of negatively impacting the unmet needs of low-income borrowers. Rather, we recommend FHFA retains the targets that would be favorable to reaching the [statutory public purpose](#) of the GSEs and advances a [just transition](#) that avoids exacerbating existing financial burdens and vulnerabilities. Equitable access and resilient lending are not separate from safety and soundness – they are its precondition. FHFA’s housing goals must reflect that enduring link.

1. Introduction

FHFA regulates the GSEs to ensure they operate in a safe and sound manner while they serve as a reliable and equitable housing finance source. By design, the Enterprise Housing Goals serve as an important accountability mechanism by setting performance targets for GSE purchases of single-family and multi-family lending, ensuring that the GSEs consistently focus on lending to households with lower incomes. Holding the GSEs accountable to these set targets is essential for ensuring the availability of vital wealth-building homeownership opportunities for underserved lower-income groups. When applied and adhered to, the benchmarks function as an important measure of the GSEs advancing their [statutory public purpose](#) including, “an affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families in a manner consistent with their overall public purposes, while maintaining a strong financial condition and a reasonable economic return.” In this regard, FHFA’s proposal to lower the Enterprise Housing Goals and implement a reduction that compromises key wealth-building pathways for lower-income borrowers risks thwarting the GSEs’ equitable lending mandate.

While homeownership serves as an important avenue for [building wealth](#) and the [transfer of wealth](#) across generations, there is [ample evidence of continuing disparities](#) in mortgage access and [existing unmet demand](#) from borrowers with LMI and in LMI census tracts that the GSEs are obligated to serve. Disparities in housing finance remain a stark issue and contributes to [socioeconomic inequality](#), which aggravates the [historic effects](#) of systemic racism and discrimination in housing markets. In 2017, the Urban Institute [attributed](#) a 30% homeownership gap between White Americans and Black Americans, which is a [wider](#) gap than when practicing discriminatory financial services was illegal. [Studies](#) of 61 metro areas reveal the continued practice of modern-day redlining. Across the U.S., households of color notably [hold](#) a smaller share of housing wealth and own homes of lower value. Housing discrimination extends to related housing finance systems, such as [appraisal bias](#) and [credit scoring disparities](#), that contribute to upholding a financial disadvantage to underserved borrowers that risks enduring [across family life cycles](#). Given the persistence and long-standing track record of these wealth gaps, setting favorable lending targets and upholding critical accountability mechanisms to ensure that lower-income

borrowers can access and build wealth through affordable homeownership is more important than ever.

2. Compounding Risks Exacerbate Disparities

The Enterprise Housing Goals are important not only for driving fairness and access to homeownership for underserved LMI borrowers, but also for addressing compounding risks that keep lower-income borrowers at a significant financial disadvantage. This includes disproportionate exposures to physical risks from natural disasters, such as hurricanes, floods, and wildfires, that continue to mount and [increase](#) in both frequency and severity. The United States has had to grapple with ongoing [extreme weather events](#) while the prevalence and cost of these events have broken records. [2023 was a record year](#) for the United States, with 28 separate weather-driven disasters where losses exceeded \$1 billion, costing over \$92.9 billion in damages and causing [2.5 million Americans](#) to lose their homes temporarily or permanently.

Nearly [half of all U.S. homes](#) are exposed to severe or extreme damage from weather-driven risk, and an estimated [7.5 million people](#) will leave areas with current or emerging [exposure](#) to natural hazards and extreme weather catastrophes in the next 30 years. 2024 demonstrated a record number of U.S. residents displaced by disasters as [11 million](#) people had to relocate because of hurricanes, floods, and wildfires. For many LMI families, their home is their primary source of wealth. But the occurrence of natural disasters aggressively [discount](#) the home prices in affected areas. Depreciating property values can deepen economic inequalities as these families lose what is often their primary wealth-building asset.

While natural disasters and extreme weather events affect everyone, it has a [disproportionate](#) impact on LMI communities. Due to the vulnerability of their geographic zones being situated in areas more susceptible to natural disasters and having fewer resources to invest in weather resilient infrastructure or recover from damages caused by natural disasters, they are considerably [more exposed](#) and experience more [difficulties recovering financially](#). As extreme weather events and risks damage property, impair household and community financial conditions, and reduce services to frontline communities, banks and insurance companies are becoming more reluctant to serve vulnerable areas, which are disproportionately LMI communities, and are beginning to [withdraw](#) from or increase prices in areas exposed to physical risks. This disinvestment – often a result of a modern-day financial redlining known as “bluelining” - compounds the burdens LMI communities already face from natural disasters, extreme weather events, and historic disinvestment. Decades of systemic [underinvestment](#) and [redlining](#) have already [impeded access](#) to the most basic financial services for LMI communities. The combination of historical disinvestment and current extreme weather exposures deepens the financial disparities experienced by vulnerable frontline communities. As the physical and financial burdens of extreme weather events disproportionately impact LMI borrowers, the [negative correlation](#) between income inequality and financial stability may be further exacerbated.

Financial institutions are undoubtedly also exposed to financial risks from natural disasters and extreme weather, and the GSEs, which collectively guarantee over \$7.7 trillion in mortgages — nearly half of the U.S. market — are no exception. From the direct losses of weather-related events, the indirect losses from the impacts on assets, through [mortgage](#) loan portfolios, investments in securities backed by mortgages in extreme-weather prone areas or regions, this concentration of

credit risk makes consistent accountability metrics essential for protecting households, taxpayers, and global investors in Agency MBS. Extreme weather events are an unfortunate yet persistent reality that damages the affordable housing supply, leading to slower repairs and even the inability to rebuild or build new homes where funding is scarce and rehabilitation and [resiliency costs are high](#). Furthermore, when insurance becomes [inaccessible or too costly](#), new home buyers are unable to qualify for quality housing financing, and [existing homeowners may lose coverage](#), leading to property value declines and mortgage defaults. This creates significant risks for banks and other housing financiers, including increased loan defaults, reduced mortgage originations, and reduced availability of housing finance. This can result in significant financial losses for the GSEs and the communities they serve, jeopardizing affordable housing goals. When lower-income borrowers and communities face mounting physical and financial risks, the safety and soundness of the housing finance system itself is compromised.

These dynamics are compounded by the material and growing costs of weather-driven disaster damage. The National Flood Insurance Program (NFIP) is the backbone of the U.S. flood-risk system. Managed by FEMA, it covers 4.7 million policies nationwide with more than \$1.3 trillion in insured value, in 22,000+ communities nationwide. FEMA estimating that NFIP floodplain standards [avoid nearly \\$2.4 billion in annual flood losses](#). The Congressional Budget Office (CBO) assesses the impact of weather-driven disasters on flood damage and federally backed mortgages, and it estimated that the present value of expected flood damage for these homes will rise from \$190 billion in 2020 to [\\$258 billion by 2050](#). More broadly, a 2025 real estate industry report finds that nearly [one in five homes](#) in the United States (~\$8 trillion in value) face severe or extreme hurricane-wind risk, while another 6.1 percent (\$3.4 trillion) are at severe or extreme flood risk, and 5.6 percent (\$3.2 trillion) face severe or extreme wildfire risk. Deductibles exacerbate this pressure: in 19 states and D.C., hurricane deductibles of 1–5 percent — and up to 10 percent in some cases — can translate into \$20,000 out-of-pocket costs for a family with a \$400,000 home. Together, these trends illustrate how weather-related risk and insurance volatility are already eroding mortgage performance, inflating systemic exposures, and leaving millions of households vulnerable. Without appropriate and consistent affordable housing goals, these pressures will continue to accumulate unchecked, threatening both community stability and the safety and soundness of the broader housing finance system.

Reducing the Enterprise Housing Goals would undermine the US markets and the American communities at a time when housing finance support is more critical than ever. Ceres previously [published a paper](#) with the Mortgage Bankers Association focused on housing finance that highlighted the critical role the housing and mortgage industries play in reducing the risks posed by extreme weather risks and financing an equitable transition to a sustainable future. The scale and complexity of today's housing-finance risks cannot be overstated. The Enterprises collectively guarantee about \$7.7 trillion in mortgages, with Fannie Mae at \$4.1 trillion and Freddie Mac at \$3.6 trillion as of mid-2025. This immense exposure means that any systemic shock, whether triggered by weather-driven disasters, insurance-market volatility, or credit-market stress, will reverberate not only across U.S. households but through global financial markets.

3. Examining the proposed Enterprise Housing Goals

In the 2025 proposed rulemaking, FHFA cites several reasons to justify lowering and combining the lower-income Enterprise Housing Goals. Our opposition to lowering and combining the FHFA's proposed Enterprise Housing Goals draws from the following discrepancies and gaps:

a. FHFA's impact analysis suggests reductions that would result in negative impact

- In their [Impact Analysis for 2026-2028 Enterprise Housing Goals Proposed Rule](#), the FHFA estimates "...for 2024, FHFA estimates that Enterprise purchases of goals qualified loans could have decreased by an unlikely maximum of about 59,000 loans and \$13 billion in unpaid principal balance (since some loans may count for multiple goals) relative to the Current Rule. Despite the low-income areas subgoal maintaining the same benchmark as the current rule (i.e., by combining the low-income census tracts and minority census tracts), FHFA assumes an approximately 16 percent reduction in minority census tract-qualifying Enterprise acquisitions under the proposed rule."
- Given that the FHFA drew from the same market analysis for the goals proposed in this rule that they used when setting the 2025-2027 rule, the changes to the goals are not based on new market data that would justify such changes.
- The FHFA's own analysis alludes to negative outcomes given that across the three-year duration of the proposed rule, purchases of goals-eligible mortgages to lower income homebuyers would be lower by about 177,000.
- Rather than settling with these reductions, FHFA should strive to ensure that the GSEs focus on addressing unmet needs.

b. Proposed reductions would diminish home purchase goals and performance to historically low levels

- FHFA proposes reducing the GSE's low-income purchase goal from 25 percent to 21 percent and the very low-income purchase goal from 6 percent to 3.5 percent – cutting it almost in half. Examining [Table 1](#) in the proposed rule, which compares and provides the annual performance of the GSEs on the single-family housing goals between 2010 and 2024, showcases the impact of this notable reduction. This change would be a disservice to lower-income borrowers.

c. Combining low-income census tract and minority census tract subgoals into a single low-income areas subgoal reduces the GSEs' incentives to address the unique needs and challenges confronting the different groups

- The proposed rule would establish a single low-income areas home purchase subgoal, rather than two separate area-based subgoals, each with their own benchmark level that would hold the GSEs accountable to adequately serving the different segments, [as Congress intended](#).
- Combining these distinct market segments into a single goal would be a disservice as the different groups confront differing lending challenges, from dealing with the implications of gentrification to discriminatory lending practices and low levels of lending, which require different services, programs, and products in response.
- Combining the two subcategories risks distorting the GSEs' incentive structure and shifting the focus away from delivering appropriate solutions based on the circumstances specific to each category of tracts. Given that the GSEs can fulfill the subgoal by serving any borrower in a low-income census tract, regardless of

income, this risks the GSEs placing their focus on wealthier borrowers with less complicated challenges.

d. The use of anecdotal evidence

- This NPR invokes “anecdotal feedback” as a driver for proposing goal changes: “These anecdotal discussions reinforce the need to carefully set the housing goals to avoid unintended consequences that harm borrowers, lenders, and the market.”
- As a source of supporting material, invoking anecdotal accounts is generally considered unreliable, biased, and questionably motivated. Suggesting that these discussions provide support for needing to adjust the housing goals is a tremendous disservice to borrowers.
- When setting goals and benchmarking targets, FHFA should consider reliable evidence and center the unmet needs of LMI borrowers that the GSEs are meant to serve.

e. While designated disaster areas are considered in the proposed rule, considerations for a just transition are absent

- The proposed rule considers and acknowledges “designated disaster areas” in several instances, including:
 - *“Empirical analysis and program experience indicate substantial overlap between beneficiaries captured by the minority area subgoal and those already reached through the low-income borrower goals. Approximately 70 percent of minority census tracts subgoal loans otherwise qualify for the low-income purchase goal metrics. Maintaining the two-part subgoal structure therefore produces limited incremental benefit relative to the added complexity. The proposed low-income areas subgoal maintains the statutory focus on families that reside in low-income areas, including minority census tracts and designated disaster areas.”*
 - *“The proposed rule will define the low-income areas home purchase goal benchmark level as the benchmark level for the low-income areas home purchase subgoal plus an adjustment factor reflecting the additional incremental share of mortgages for low- and moderate-income families in designated disaster areas. This proposed definition is exactly equivalent to the current low-income areas home purchase goal which is the sum of the benchmark levels for the area-based subgoals plus an adjustment factor for the low- and moderate-income families in designated disaster areas. FHFA will continue to set a benchmark level for the overall low-income areas home purchase goal that will reflect the adjustment factor for mortgages to families with incomes less than or equal to 100 percent of AMI who are in federally declared disaster areas.”*
 - *“The proposed rule would combine the current low-income census tracts home purchase subgoal and the minority census tracts home purchase subgoal into a single low-income areas home purchase subgoal. Similar to the existing regulation, the benchmark level for the low-income areas home purchase goal would be the sum of the benchmark levels for the low-income areas home purchase subgoal, plus an additional amount that will be*

determined separately by FHFA that takes into account families in disaster areas with incomes no greater than 100 percent of AMI.”

- While we disagree with combining the low-income census tracts and minority census tracts subgoals into a single low-income areas subgoal, we appreciate the separate consideration given to “disaster areas.”
- We recommend the FHFA **retain** the GSEs’ existing separate subgoals to ensure that the unique needs of the differing tracts continue to be addressed. When examining vulnerabilities driven by disaster-exposed areas, ensure equitable recommendations and practices do not risk leaving anyone behind by including considerations for a [just transition](#).

f. Prioritizing concerns for “crowding out” over serving LMI borrowers

- The proposed rule cites concern and regard for “crowding out” other potential housing finance lenders as an impetus for lowering the Enterprise Housing Goals. Per the NPR: “Consistent with the policy objectives and the U.S. Treasury’s Housing Reform Plan, the Enterprises should provide support for low- and moderate-income households without crowding out or displacing other important sources of liquidity that may better serve these segments. It is appropriate, therefore, that FHFA consider the potentially distortive impacts of the Enterprises on the market when determining their appropriate role in the low- and moderate-income segment. Benchmark levels that are set inappropriately high will likely result in the Enterprises increasing their relative market share of low-income borrowers, but, as discussed in the *Past performance and effort of the Enterprises to achieve the housing goals* section of this preamble, may reduce liquidity for middle-class borrowers and increase costs for all borrowers.” However, there is no evidence presented that “crowding out” is occurring and “distorting” the favorability of the GSEs while placing “other sources” at a disadvantage.
- Rather, as stated above, there is [ample evidence of continuing disparities](#) in mortgage access and demand from borrowers with LMI and in LMI census tracts that the GSEs need to continue to serve. This is supported by data from the [New York Federal Reserve](#) finding that, “28 percent of lower-income households had unmet demand for credit, compared with only 8 percent of high-income households.” The [Federal Reserve Bank of San Francisco](#) also identified a clear link between communities in need of financial investment and those impacted by extreme weather events.
- The focus for the GSEs’ should be on supporting affordable homeownership rather than uplifting “other important sources of liquidity.”
- As noted above and in the notice of proposed rulemaking, the Enterprise Housing Goals function as intended when they are reasonably set: “Benchmark levels that are set inappropriately high will likely result in the Enterprises increasing their relative market share of low-income borrowers.” However, this is suggested as a negative consequence in higher regard and consideration for “other important sources of liquidity,” which is not the [statutory public purpose](#) of the GSEs. The NPR also does note “FHFA has a responsibility to underserved communities and low-to moderate income borrowers” which is inconsistent with the changes being advanced.

4. Conclusion

The U.S. mortgage market is facing critical challenges. Backing about half of the entire US mortgage market, the GSEs can advance the system or contribute to diminishing it. As [extreme weather and natural hazards accelerate](#), bringing more frequent and severe physical catastrophes, skyrocketing insurance premiums, market withdrawals, and solvency concerns lead to less affordable housing and costs for homeowners and renters while simultaneously making it more difficult to develop new housing supply in the areas most impacted. These risks threaten the stability of the housing finance system, with a disproportionate impact on low-income communities and other financially vulnerable populations. Such stark forecasts underscore the imperative for consistent regulatory measures that consider how these types of shocks exacerbate existing housing disparities and prevent the GSEs from fulfilling their [statutory public purpose](#) while simultaneously threatening the safety and soundness of the housing finance system.

The Enterprise Housing Goals are a necessary accountability mechanism. When set appropriately, the goals contribute to the GSEs advancing their mission of serving LMI borrowers in a safe and sound manner. However, the proposal to lower the Enterprise Housing Goals does not align with the current compounding complexities drawing from intensifying physical risks and unmet LMI borrower needs, thereby frustrating the statutory public purpose of the GSEs. The proposed changes to the single-family goals are not well supported and would disincentivize the GSEs from fulfilling their public purpose and affordable housing mandate for LMI borrowers.

For these reasons, we urge the FHFA to withdraw the proposed changes to the Enterprise Housing Goals, namely,

- a. Withdraw the reduction of the single-family low-income and very low-income purchase goals
- b. Withdraw the combination of the low-income census tracts and minority census tracts subgoals into a low-income areas subgoal.

Ensuring safety and soundness in the long term depends on equitable and fair access to housing finance. FHFA should strengthen, not weaken, the Enterprise Housing Goals to ensure measurable progress toward equitable and affordable access to mortgage credit. Retaining the current single-family benchmarks and separate tract subgoals is essential to fulfilling FHFA's statutory duty and safeguarding long-term market stability.

Thank you for your leadership and for considering our views on this important matter. We would be pleased to discuss any questions you may have on our feedback. Please contact Monica Barros, Special Projects Manager, at mbarros@ceres.org or Holly Li, Program Director, Net Zero Finance, hli@ceres.org.

Sincerely,



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