Council for **A**ffordable and **R**ural **H**ousing

Serving the Affordable Housing Needs of Rural America

July 22, 2026

Mr. Clinton Jones
General Counsel
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

Re: Comments on Proposed Rule, Enterprise Duty to Serve Underserved Markets

Dear Mr. Jones:

The Council for Affordable and Rural Housing ("CARH") appreciates the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") proposed rule regarding the Enterprise Duty to Serve Underserved Markets ("Duty to Serve" or "DTS") framework. CARH is a national nonprofit trade organization that, since 1980, has served as the nation's premier association for participants in the affordable rural housing profession. CARH is unique in representing the needs of the entire rural development multifamily housing industry, and its members include major participants in the affordable rural rental housing industry in more than 45 states.

CARH strongly supports FHFA's continued focus on encouraging Fannie Mae and Freddie Mac (the "Enterprises") to serve very low-, low-, and moderate-income families in underserved markets, including rural housing and affordable housing preservation. CARH's members have a direct and practical interest in ensuring that Duty to Serve remains a meaningful, transparent, and accountable framework for directing Enterprise resources to rural communities that are too often overlooked by conventional capital markets. As CARH has emphasized in other federal rulemakings, rural affordable housing programs should be administered in a manner that decreases unnecessary cost, avoids needless delay, and maximizes benefits to residents who depend on these properties.

CARH appreciates that the proposed rule preserves important elements of the existing Duty to Serve framework, including a three-year strategic planning process, an opportunity for public comment, and FHFA review before plan implementation. These elements are essential because Duty to Serve is not merely a reporting exercise; it is one of the few federal regulatory tools specifically designed to push the Enterprises to examine underserved markets, identify gaps, develop measurable actions, and respond to market needs that would otherwise remain unmet. CARH also appreciates FHFA's recognition that rural areas, including persistent poverty counties and Indian areas, face unique barriers to mortgage credit and investment capital.

At the same time, CARH is concerned that several aspects of the proposed rule could weaken the practical impact of Duty to Serve in rural communities. The proposal would eliminate many of the existing regulatory activities and minimum activity requirements that have historically directed the Enterprises toward the hardest-to-serve portions of the market. Without clear regulatory guardrails, the Enterprises may unintentionally concentrate their resources in "easier-to-serve" markets, larger transactions, or activities that they already would have pursued in the ordinary course of business. That result would be inconsistent with the purpose of Duty to Serve and would be particularly harmful to rural rental housing, USDA-assisted properties, small multifamily properties, and rural Low-Income Housing Tax Credit ("LIHTC") developments.

CARH therefore respectfully urges FHFA to revise the final rule to preserve the strengths of the existing framework while allowing targeted innovation. Specifically, CARH recommends that FHFA retain a robust strategic planning process with meaningful public input; maintain a public comment period of at least 60 days on proposed Duty to Serve plans; require clear, measurable actions and transparent evaluation criteria; retain or replace existing eligible activities with regulatory requirements that ensure the Enterprises serve high-needs rural regions and rural affordable rental housing; preserve minimum rural LIHTC investment expectations; and continue public data reporting sufficient for stakeholders to evaluate whether the Enterprises are actually reaching the communities that Duty to Serve was designed to benefit.

FHFA should not eliminate regulatory activities and minimum activity expectations without replacing them with equally clear obligations to serve the hardest-to-reach rural markets. The current rule's list of activities was developed through extensive public comment and has helped focus Enterprise attention on unmet needs in manufactured housing, rural housing, and affordable housing preservation. The proposed rule's elimination of all eligible activities, including statutory activities in affordable housing preservation, would give the Enterprises significant discretion to determine the scope of their review and the level of effort they devote to each market.

CARH is particularly concerned about the effect of this approach on rural housing. FHFA proposes to retain the definition of high-needs rural regions, including Indian areas, but the proposed rule would remove the regulatory activities that require the Enterprises to consider serving those regions. As a practical matter, a definition that is not tied to required analysis, measurable actions, or evaluation consequences may have little effect. High-needs rural regions involve smaller loan volumes, more complex transactions, and longer development timelines than mainstream rural lending, and an evaluation framework focused primarily on aggregate volume risks undervaluing precisely the work Duty to Serve should encourage. CARH therefore urges FHFA to require each Enterprise to undertake at least one eligible activity focused on high-needs rural regions in each Duty to Serve plan.

FHFA should also preserve and strengthen support for affordable rural housing preservation, including USDA-assisted and small multifamily housing. The Duty to Serve statute specifically identifies affordable housing preservation as an underserved market and requires Enterprise support for loan products and flexible underwriting guidelines serving enumerated subsidy programs. The proposed rule would eliminate existing regulatory activities that have helped focus attention on small multifamily properties, USDA Section 515 properties, and HUD's Rental Assistance Demonstration program. CARH's members have long understood that Rural Development multifamily properties serve extremely vulnerable residents, and that delay, cost, or lack of capital can directly affect housing stability for those residents.

USDA Section 515 and related Rural Development programs remain a critical part of the rural affordable housing infrastructure. Section 515 provides direct loans to eligible borrowers to provide economically designed and constructed housing and related facilities for very low-, low-, and moderate-income households, elderly households, and persons with disabilities in rural areas. CARH has previously noted that Rural Development multifamily housing commonly involves existing rehabilitated properties rather than new construction and that the average Rural Development multifamily property is well under 50 units. These characteristics make the preservation of existing rural rental housing both urgent and uniquely challenging.

CARH therefore urges FHFA to ensure that the final rule includes clear regulatory direction for the Enterprises to support affordable rural housing preservation, including USDA-assisted properties, small multifamily properties, and other rural rental housing that struggles to attract conventional capital. A broad, discretionary framework that merely asks the Enterprises to serve the rural market as a whole may not be sufficient to reach these properties. To the contrary, without specific requirements, the Enterprises may shift toward larger or simpler transactions that are easier to execute.

Minimum rural LIHTC investment metrics or otherwise enforceable rural LIHTC investment expectations should be retained. Rural affordable housing developments face economic and operational challenges that differ from those in larger or more urban markets. Rural developments are often smaller in scale, can struggle to secure local suppliers and contractors, and frequently face weaker investor demand because fewer financial institutions have Community Reinvestment Act obligations in many rural areas. That weaker demand can create larger financing gaps and threaten development feasibility.

The Enterprises can play a substantial role in addressing that gap. FHFA's decision to double the Enterprises' LIHTC investment caps and reserve a significant portion for Duty to Serve rural communities has the potential to ensure that the Enterprises directly address rural needs. However, if the final rule eliminates prescribed activities and minimum requirements without preserving rural LIHTC investment expectations, the Enterprises may have less incentive to continue investing in rural LIHTC properties, particularly smaller and harder-to-serve developments.

CARH supports expanding LIHTC eligibility to affordable housing preservation outside rural areas, but that expansion must not reduce rural LIHTC investment. Larger preservation developments outside rural areas may be easier to execute than small-scale rural developments and could divert attention from the rural markets Duty to Serve is intended to reach. FHFA should therefore clarify that LIHTC investments supporting affordable housing preservation outside rural areas are additive to, not a replacement for, baseline rural LIHTC investment. CARH further urges FHFA to monitor and report rural LIHTC investment levels so stakeholders can evaluate whether expanded preservation eligibility is complementing, rather than displacing, rural investment.

Further, FHFA should revise the proposed approach to area median income ("AMI") so that it expands access in rural persistent poverty areas without diluting Duty to Serve's focus on lower-income households. CARH appreciates FHFA's recognition that extremely low AMIs in some rural persistent poverty counties and Indian areas can prevent families with objectively low incomes from qualifying as moderate income under traditional definitions. An adjustment for those areas is appropriate because it responds to a real rural market problem.

CARH is concerned, however, that applying a broader AMI adjustment in metropolitan areas or rural areas outside persistent poverty counties could allow the Enterprises to receive Duty to Serve credit for serving higher-income borrowers and renters while lower-income families remain unserved. FHFA should therefore limit AMI adjustments to non-metropolitan areas where the adjustment is needed, and it should provide an additional adjustment for rural persistent poverty counties and Indian areas. FHFA should also pair any AMI adjustment with requirements for actions serving high-needs rural regions and with data reporting that allows stakeholders to assess whether the adjustment results in increased service to the intended communities.

FHFA should maintain transparent evaluation criteria and public data reporting. Duty to Serve plans are important, but the evaluation framework is what gives those plans practical effect. CARH supports evaluating Enterprise performance on loan product development, outreach, loan purchases, and grants and investments, and CARH also supports FHFA's addition of program management as an evaluation element because Enterprise-wide commitment is necessary for meaningful implementation. FHFA should clarify the metrics and targets it will use to evaluate each element, either in regulation or in formal public guidance issued before the plan cycle begins.

CARH is particularly concerned that, in the absence of prescribed activities and minimum activity requirements, the evaluation and rating framework will become the primary determinant of whether the statutory Duty to Serve has any practical impact in rural communities. To ensure that the new "eligible action" standard does not effectively render rural housing support discretionary, FHFA should codify clear, market-specific performance metrics and minimum thresholds for the rural housing market, including high-needs rural regions and rural affordable rental housing. Those metrics should require demonstrable increases in loan purchases, investments, and other actions benefitting very low-, low-, and moderate-income rural households, rather than allowing Enterprises to receive Duty to Serve credit for activities that would occur in the ordinary course of business or that primarily serve higher-income borrowers. Without explicit rural outcome requirements in the evaluation and rating framework, FHFA could award satisfactory ratings while rural markets receive little tangible benefit from Duty to Serve.

Public data reporting is equally important. FHFA currently collects and publicly discloses data on Enterprise performance under Duty to Serve, and stakeholders use that information to understand the Enterprises' role in supporting manufactured housing, rural housing, and affordable housing preservation. CARH urges FHFA to continue collecting and reporting all data currently disclosed, as well as data on any new activities. For the rural market, FHFA should separately report loan purchases, outreach, products, investments, and grants serving high-needs rural regions and the rural market as a whole. Without disaggregated reporting, stakeholders will not be able to determine whether aggregate rural activity is reaching the areas of greatest need.

In summary, CARH respectfully recommends that FHFA revise the final rule to ensure that Duty to Serve continues to direct Enterprise resources to rural communities, rural affordable rental housing, and affordable housing preservation needs that conventional markets do not adequately serve. FHFA should retain the strategic planning process, require meaningful public engagement, preserve a 60-day comment period, require each Enterprise to serve high-needs rural regions, maintain or replace eligible activities with enforceable rural housing obligations, preserve rural LIHTC investment expectations, refine AMI adjustments, publish clear evaluation criteria, and continue robust public data reporting.

CARH appreciates FHFA's commitment to underserved markets and its willingness to consider improvements to the Duty to Serve framework. CARH urges FHFA to ensure that the final rule strengthens, rather than weakens, the practical tools that have helped bring capital to rural communities. Thank you for considering CARH's comments.

Sincerely,

Colleen M. Fisher

Colleen M. Fisher
Executive Director