M E M O R A N D U M

To:	**Hon. Bill Pulte, Director, Federal Housing Finance Agency**
From:	**Andrew Langer, President, Main Street Foundation**
Date:	**July 17, 2026**
Re:	**Comments on the Federal Housing Finance Agency Notice of Proposed Rulemaking, "Enterprise Duty to Serve Underserved Markets," Document ID FHFA-2026-0232-0001, RIN 2590-AB64, Published June 24, 2026**

Below are comments of the Main Street Foundation's Center for Regulatory Analysis and Engagement (CRAE) in response to the Federal Housing Finance Agency Notice of Proposed Rulemaking, "Enterprise Duty to Serve Underserved Markets," Document ID FHFA-2026-0232-0001, RIN 2590-AB64, published June 24, 2026.

CRAE is a project of the Main Street Foundation, a recently-formed non-profit, non-partisan 501(c)(3) research and education foundation. Our mission is to bring a disciplined, common-sense perspective to the regulatory process, one grounded in real-world experience, sound science, and rigorous economic analysis. We work to ensure that the costs, risks, and benefits of regulatory proposals are evaluated transparently and accurately, and that the voices, interests, and freedoms of Americans, particularly small businesses and working families, are meaningfully represented in regulatory debates. Above all, we focus on outcomes: regulations should address real problems, function effectively in practice, and improve conditions on the ground—not exacerbate the challenges they are intended to solve.

Introduction

The Center for Regulatory Analysis and Engagement (CRAE) appreciates the Federal Housing Finance Agency's reconsideration of the Enterprise Duty to Serve Underserved Markets framework and its effort to reduce unnecessary administrative burdens. The interaction among housing affordability, secondary-market liquidity, Enterprise risk, and taxpayer exposure requires regulation that is transparent, economically sound, proportionate to demonstrable problems, and capable of producing measurable results. Revisiting an established program is particularly valuable when experience reveals that its procedures may consume resources without producing commensurate public benefits.

FHFA reasonably recognizes that the existing framework may encourage the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to concentrate on satisfying detailed activity classifications, procedural requirements, documentation expectations, and scoring conventions. Those requirements may provide structure and predictability, but they can also foster a compliance-centered approach in which completion of regulator-approved activities becomes a substitute for improving housing-market performance. Enterprise resources should be directed toward consequential results rather than divided among numerous obligations that reward administrative completion.

Administrative simplification alone, however, does not establish the economic value of the underlying intervention. Expanded mortgage liquidity and greater borrower purchasing power do not create additional land, housing units, infrastructure, construction labor, or regulatory permission to build. When zoning, permitting, infrastructure limitations, production costs, or other constraints prevent supply from responding, additional credit may enable more buyers to compete for the same limited housing stock. A policy intended to improve affordability may therefore increase prices while encouraging households to assume greater debt.

Removing prescribed activities also could exchange visible regulatory complexity for less visible administrative discretion. FHFA would continue exercising substantial control through its review of Enterprise plans, non-objection decisions, eligibility determinations, guidance, modification procedures, performance evaluations, and annual ratings. If the substantive standards governing those decisions remain uncertain, regulated entities and market participants may encounter requirements that are less formal but no less consequential. Genuine reform requires not only fewer provisions, but also clear boundaries, predictable procedures, consistent treatment, and publicly understandable decisions.

Experience preceding the 2008 financial crisis demonstrates the danger of evaluating housing policy through mortgage approvals, purchase volume, or short-term increases in homeownership. Government-supported credit expansion interacted with weakened underwriting, limited borrower equity, excessive institutional leverage, securitization incentives, and inadequate risk discipline. Rising home prices initially concealed those vulnerabilities by permitting troubled borrowers to sell or refinance. Once prices stopped rising, accumulated weaknesses produced defaults, foreclosures, institutional losses, and broader financial instability. Increased financing activity is therefore not necessarily evidence of sustainable housing progress.

Accordingly, CRAE supports preserving the proposal's genuine reductions in administrative friction while strengthening its economic, procedural, and prudential safeguards. The final rule should establish clearer substantive boundaries, evaluate the interaction between mortgage demand and housing supply, preserve rigorous underwriting and capital discipline, and constrain material exercises of administrative discretion through transparent decision procedures. FHFA should also adopt performance measures that distinguish transactions from outcomes, identify benefits that would not otherwise occur, assess long-term borrower and Enterprise performance, and support a meaningful post-implementation review.

Executive Summary

FHFA has correctly identified important defects in the existing Duty to Serve framework, including its emphasis on prescribed activities, procedural compliance, documentation, and scoring conventions. Reducing those burdens could permit Fannie Mae and Freddie Mac to concentrate resources on consequential market problems. Nevertheless, the proposal could perpetuate a demand-centered housing policy that equates additional mortgage financing with improved affordability. It also could transfer substantive requirements from published regulations into guidance, plan negotiations, eligibility determinations, and other discretionary administrative processes.

CRAE recommends FHFA do the following:

- **Preserve genuine administrative simplification.** FHFA should eliminate activity classifications, procedural requirements, documentation obligations, and scoring conventions that do not materially improve statutory compliance, housing outcomes, or financial discipline. The Agency should distinguish a reduction in regulatory procedures from an improvement in the underlying housing policy.
- **Do not presume that additional credit produces affordability.** Increased mortgage credit, Enterprise loan purchases, lower financing costs, and greater secondary-market liquidity may expand purchasing power without increasing housing availability. FHFA should not treat financing volume as evidence that housing has become more affordable.
- **Identify the economic function of each activity.** FHFA should determine whether a significant Duty to Serve activity adds housing supply, preserves units genuinely at risk, corrects a demonstrable secondary-market failure, attracts sustainable private participation, or merely increases demand for an existing housing stock.
- **Recognize the capitalization of subsidies.** When zoning, permitting, infrastructure, construction capacity, land availability, or other factors constrain supply, financing preferences may be reflected in higher prices, rents, land values, or community charges. FHFA should evaluate who ultimately captures the economic benefit.
- **Maintain underwriting and taxpayer protections.** Duty to Serve should not become a vehicle for weakening ability-to-repay standards, increasing borrower or Enterprise leverage, obscuring risk through cross-subsidization, or transferring losses from private participants to the Enterprises and ultimately taxpayers.
- **Evaluate cumulative risk layering.** FHFA should assess combinations of low down payments, elevated debt-to-income ratios, limited documentation, adjustable payments, subordinate financing, and other accommodations. Features that appear manageable individually may create substantial vulnerability when combined.
- **Measure sustainable household welfare.** Mortgage approval and initial homeownership are intermediate events, not final measures of success. FHFA should consider continued occupancy, borrower equity, total housing costs, delinquency, default, foreclosure, refinancing dependence, and resilience to financial shocks.

- **Constrain the "eligible action" framework.** The final rule should establish objective eligibility criteria, defined decisional periods, written explanations for material determinations, publication of generally applicable interpretations, consistent treatment of comparable activities, and a meaningful reconsideration process.
- **Limit the role of Evaluation Guidance.** Guidance should explain regulatory standards, evaluation methods, and reporting expectations. It should not create new substantive obligations, prohibited activities, eligibility restrictions, or performance requirements outside appropriate notice-and-comment procedures.
- **Adopt meaningful performance measures.** FHFA should measure net additions to housing supply, genuine preservation, total ownership and rental costs, long-term loan performance, private-market participation, Enterprise risk, and taxpayer exposure rather than relying predominantly on transaction counts or dollar volume.
- **Establish credible baselines.** Enterprise performance should be compared with a reasonable estimate of what market participants would have done without Duty to Serve intervention. FHFA should not claim programmatic credit for transactions that likely would have occurred on substantially similar terms.
- **Differentiate the three underserved markets.** Manufactured housing, rural housing, and affordable-housing preservation present different financing structures, supply constraints, ownership arrangements, borrower risks, and market conditions. FHFA should adopt market-specific economic analysis and performance measures rather than rely on a uniform framework.
- **Incorporate the refinancing correction accurately.** The final rule should reflect that a refinancing mortgage is ineligible under the corrected provision when it is both non-arm's-length and borrower-driven. FHFA should define those terms, explain the conjunction, and provide examples distinguishing eligible and ineligible transactions.
- **Conduct a post-implementation review.** After the first complete planning cycle, FHFA should evaluate administrative savings, decision times, Enterprise conduct, housing outcomes, loan performance, market effects, and taxpayer risk. The Agency should publish its findings and revise ineffective rules or guidance.

Outcome-based regulation is valuable only when the selected outcomes correspond to the purposes the regulation should serve. FHFA's evaluations should therefore reflect sustainable affordability, additional housing opportunities, genuine preservation, borrower resilience, financial performance, private-market effects, and protection of taxpayers. A framework that merely substitutes broader transaction measures for detailed activity requirements would remain compliance-centered in substance. The final rule should instead connect administrative flexibility to demonstrable improvements in supply, affordability, market additionality, and financial resilience.

I. FHFA Should Preserve Genuine Administrative Simplification

The existing Duty to Serve framework can encourage a compliance-centered program through its prescribed activities, multiple classifications, minimum participation expectations, extra-credit categories, plan-modification procedures, and extensive documentation obligations. Although these features may have been intended to provide structure and promote participation across underserved markets, their combined effect can reward procedural completion instead of meaningful performance. Fannie Mae and Freddie Mac may devote substantial attention to fitting initiatives within approved categories and satisfying scoring conventions rather than identifying and addressing the most consequential financing barriers.

Administrative requirements also impose opportunity costs. Staff time and institutional resources devoted to classifying activities, preparing supporting materials, negotiating plan language, requesting modifications, documenting compliance, and anticipating scoring decisions cannot simultaneously be used to study market conditions, develop viable products, engage smaller market participants, or evaluate long-term results. Those costs matter even when they do not appear as direct federal expenditures. FHFA should consider whether each procedural requirement produces information or discipline commensurate with the resources it consumes across the complete program.

CRAE therefore supports eliminating obsolete provisions and unnecessary distinctions among statutory, regulatory, additional, and extra-credit activities. Where a classification does not improve statutory compliance, clarify eligibility, protect safety and soundness, or facilitate meaningful performance evaluation, retaining it merely perpetuates administrative complexity. Removing artificial categories also may permit the Enterprises to respond more quickly to changing market conditions and pursue activities with greater potential impact. That flexibility should remain tied to clear substantive standards rather than the completion of predetermined administrative classifications.

Simplification must extend beyond the text of the Code of Federal Regulations. A requirement is not eliminated if its practical substance migrates into Evaluation Guidance, templates, unpublished expectations, plan negotiations, recurring data requests, individualized conditions, or informal communications. Such migration can make obligations harder to identify and challenge while preserving their compliance costs. FHFA should review the complete administrative system surrounding Duty to Serve and ensure that reduced regulatory text produces a corresponding reduction in the obligations the Enterprises encounter in practice.

Accordingly, FHFA should provide a complete accounting of the requirements the final rule removes, retains, relocates, or delegates to guidance. For each remaining obligation, the Agency should identify its statutory or prudential purpose, the information or protection it supplies, and why a less burdensome alternative would be inadequate. FHFA should likewise explain how it will prevent eliminated requirements from returning through informal administration. This accounting would make the reform verifiable, provide regulated entities with greater certainty, and establish a baseline for measuring whether simplification produces meaningful savings.

II. Expanding Mortgage Credit Does Not Necessarily Improve Housing Affordability

Mortgage credit and housing are distinct economic resources. Credit allows a household or investor to finance the purchase of property, but it does not itself create buildable land, housing units, roads, water systems, construction labor, utility capacity, or regulatory permission to build. Secondary-market liquidity can affect the availability and price of financing, yet it cannot remove every physical, legal, and institutional constraint on production. FHFA should therefore distinguish policies that facilitate financing from policies that increase the quantity or productive capacity of housing.

Lower interest rates, reduced fees, broader borrower eligibility, and expanded Enterprise purchases can increase the number of potential buyers or the amount each buyer can offer. Where the housing stock is limited, those measures enable more purchasing power to compete for substantially the same properties. This increased demand may accelerate sales and mortgage originations without improving the underlying availability of housing. A program can consequently report greater financing activity while households face unchanged or worsening difficulty finding homes they can afford without assuming additional debt.

When housing supply cannot respond, financing benefits may be capitalized into asset values rather than retained by borrowers. Sellers may command higher purchase prices, landowners may receive higher values, landlords may charge more rent, and manufactured-housing community owners may increase site rents or fees. The nominal recipient of favorable financing therefore may not receive its full economic benefit. FHFA should examine market incidence by determining who ultimately captures the benefit after prices, rents, charges, and other transaction terms adjust to increased purchasing power.

Those price effects can produce significant distributional consequences. Buyers who do not qualify for preferred financing may face higher prices generated partly by benefits they cannot access. Future purchasers may enter the market only after subsidies have been incorporated into property values. Renters can encounter higher acquisition costs passed through as rent, while households unwilling to accept greater leverage may lose opportunities to better-financed competitors. A policy designed to assist selected borrowers can thus impose indirect costs on other households within the same underserved market.

FHFA should determine the economic function of each major Duty to Serve activity. Relevant questions include whether the activity facilitates net additions to housing supply, prevents a demonstrable loss of viable affordable units, or remedies a specific secondary-market failure that private participants cannot reasonably address. The Agency also should examine whether Enterprise involvement changes the transaction, attracts sustainable private capital, or merely subsidizes activity that would have occurred on similar terms. These distinctions are necessary to identify genuine program additionality and avoid overstating public benefits.

For these reasons, FHFA should not characterize additional loan purchases, lower borrower rates, expanded eligibility, or increased liquidity as affordability improvements without supporting evidence. Performance analysis should consider effects on prices, rents, housing production, preservation, total monthly costs, borrower debt, private participation, and long-term household stability. Loan volume may describe what the Enterprises purchased, but it does not establish what the intervention accomplished. An outcome-oriented framework must measure whether families gained sustainable housing opportunities rather than simply whether more federally supported financing entered a constrained market.

III. HERA Requires FHFA To Reconcile Housing Mission and Financial Discipline

The Housing and Economic Recovery Act of 2008 strengthened federal prudential oversight of Fannie Mae and Freddie Mac while also assigning them affirmative housing responsibilities. HERA created FHFA, expanded regulatory authority over Enterprise capital and safety and soundness, and authorized conservatorship and receivership. At the same time, it directed the Enterprises to serve manufactured housing, affordable-housing preservation, and rural housing markets. The statute therefore does not establish a single-purpose housing program; it requires FHFA to administer complementary but potentially competing financial and housing responsibilities.

Congress expressly contemplated several means by which the Enterprises could perform their Duty to Serve. These include developing loan products, adopting flexible underwriting guidelines, conducting outreach to lenders and other market participants, purchasing mortgages, making investments and grants, and pursuing other innovative approaches. That language gives FHFA meaningful implementation authority and permits adaptation to distinct market conditions. It does not, however, prescribe particular products or establish that every expansion of financing advances the statutory purpose. FHFA must exercise its authority within the complete structure of HERA.

The housing mission does not displace FHFA's responsibility to protect Enterprise solvency, mortgage-market stability, and taxpayers. Duty to Serve activities remain subject to the Enterprises' charters, applicable law, capital requirements, prudent underwriting, and sound risk management. A product that generates additional transactions while imposing inadequately understood or compensated risks does not become prudent because it serves a designated market. FHFA should evaluate housing benefits and financial risks together, recognizing that instability or renewed taxpayer support would ultimately undermine the availability of sustainable mortgage financing.

Nor does HERA require FHFA to maximize mortgage originations, subsidize every transaction that could qualify for Duty to Serve treatment, or weaken repayment standards until additional borrowers become eligible. The statute similarly does not require the Agency to treat every increase in Enterprise purchases, investment, or market share as beneficial. Flexible underwriting should permit careful consideration of relevant borrower and market circumstances, not abandonment of repayment capacity or risk discipline. Innovation should improve how identifiable needs are addressed rather than function as a presumption favoring credit expansion.

Proper statutory reconciliation requires treating Duty to Serve as a responsibility to address identifiable financing impediments through safe, sustainable, and economically justified activities. FHFA should determine what prevents an underserved market from functioning effectively, whether Enterprise intervention can address that problem, and what risks or distortions the intervention may create. The final rule should not convert Congress's targeted directive into an open-ended instruction to increase credit regardless of housing supply, borrower resilience, market additionality, Enterprise exposure, or the potential consequences for taxpayers.

IV. The Experience Preceding the Financial Crisis Counsels Against Volume-Based Housing Policy

Duty to Serve was enacted in 2008, after the housing market had begun deteriorating, and it did not cause the preceding mortgage collapse. Nevertheless, earlier federal affordable-housing and homeownership policies offer directly relevant evidence about the risks of government-directed credit expansion. Those policies operated alongside private misconduct, flawed securitization incentives, excessive leverage, weak supervision, and other contributing factors. The appropriate lesson is not that housing missions alone caused the crisis, but that public policy can amplify instability when it rewards financing volume without adequately accounting for risk.

Over time, federal policy increasingly treated expanded private homeownership as an overriding measure of housing progress. Policymakers emphasized broader credit availability, rising mortgage originations, and increases in the aggregate homeownership rate. Those measures were politically attractive because they generated immediate and visible results. They did not necessarily reveal whether homes were becoming more plentiful, whether prices were sustainable, or whether new owners could retain their properties through changing economic conditions. Initial access to a mortgage became confused with durable improvement in household welfare.

Pressure to expand lending contributed to departures from traditional underwriting discipline. Lower down payments, higher debt burdens, reduced documentation, flexible repayment structures, and greater acceptance of borrowers with limited financial cushions allowed more transactions to proceed. These changes were not confined to any single institution, policy, or borrower population. They spread across a mortgage system in which originators, securitizers, investors, government-sponsored enterprises, and regulators frequently benefited from rising volume while the long-term consequences of deteriorating loan quality remained dispersed or inadequately measured.

Individual underwriting accommodations may appear reasonable when considered separately. A modestly lower down payment, somewhat higher debt-to-income ratio, adjustable interest rate, limited documentation, or subordinate loan does not necessarily make a mortgage unsustainable. Combining several such features, however, can leave a borrower with little equity, minimal cash reserves, and limited ability to absorb changing circumstances. Risk layering makes households especially vulnerable to income loss, higher payments, declining property values, unexpected expenses, or the disappearance of refinancing options upon which the original transaction implicitly depended.

Rising property values initially concealed these vulnerabilities. Borrowers experiencing difficulty could refinance, sell the property, or extract additional equity rather than enter delinquency or foreclosure. Favorable short-term loan performance therefore appeared to validate weakened underwriting and encouraged additional expansion. That apparent success depended on continued appreciation rather than durable repayment capacity. Once prices stopped rising, refinancing channels narrowed, equity disappeared, and the same loan characteristics that had facilitated additional purchases increased the likelihood and severity of defaults.

Mortgage losses then traveled beyond individual borrowers and lenders. Securitization distributed exposures throughout financial markets, while high institutional leverage magnified comparatively modest declines in asset values. Imperfect risk pricing and credit assessments encouraged investors to underestimate potential losses. Expectations that government-supported institutions would receive assistance weakened normal market discipline and shifted part of the downside risk toward taxpayers. When mortgage performance deteriorated, forced sales, declining securities values, institutional failures, and contracting credit transmitted the housing correction through the broader financial system.

That experience should shape FHFA's treatment of innovation under the proposed framework. Initial approval rates, loan-purchase volume, market share, and short-term performance cannot establish that an activity is successful or sustainable. FHFA should evaluate borrower equity, repayment capacity, cumulative risk layering, delinquency, default, foreclosure, loss severity, and dependence on refinancing. Enterprise capital, risk pricing, private loss exposure, and performance under adverse economic conditions are equally important. Housing policy should be judged by durable household and market resilience, not by transactions completed before underlying risks become visible.

V. FHFA Should Not Replace Prescriptive Rules With Unbounded Discretion

The proposed rule would replace prescribed categories of statutory, regulatory, additional, and extra-credit activities with a broader "eligible action" standard. Under that approach, an Enterprise could undertake an action that is consistent with carrying out its statutory Duty to Serve and that FHFA has not determined to be ineligible by regulation or after review. This transition could reduce artificial classifications and permit more responsive activity. Its success, however, depends on whether regulated entities can identify the substantive boundaries of eligibility before committing resources.

FHFA would retain substantial control over the operation of the program. The Agency would review three-year plans, issue non-objection or objection decisions, determine whether activities and loan purchases are eligible, evaluate requested modifications, establish reporting expectations, issue Evaluation Guidance, monitor performance, and assign annual ratings. Each authority may be appropriate in isolation, but their combined operation gives FHFA significant influence over Enterprise conduct. Removing prescribed activities does not reduce that influence unless the remaining authorities are governed by clear, predictable, and consistently applied standards.

Less regulatory text can coexist with greater practical uncertainty. Operative requirements may emerge through unpublished plan negotiations, changing Evaluation Guidance, individualized conditions, data requests, rating expectations, or informal communications. Regulated entities may comply with those expectations because FHFA controls plan acceptance and performance ratings, even when the expectations do not appear in the regulation. This form of administration can be less transparent than prescriptive rules because affected parties may struggle to identify generally applicable obligations, compare treatment, or determine when the Agency has effectively changed policy.

The final rule should therefore specify the evidence and standards FHFA will use when determining whether an action is eligible or ineligible. Relevant criteria should include statutory connection, expected market impact, demonstrated financing barriers, additionality, effects on housing supply and prices, borrower sustainability, safety and soundness, private-market participation, and taxpayer exposure. FHFA also should explain how it will weigh competing considerations and distinguish an eligibility decision from a later performance evaluation. Clear decisional criteria would permit innovation without requiring regulated entities to predict unstated agency preferences.

Procedural protections should accompany those substantive standards. FHFA should establish defined periods for reviewing plans, modifications, and material eligibility questions; provide written explanations for objections and adverse determinations; and publish interpretations with general applicability. Comparable activities should receive consistent treatment unless relevant differences justify another result. The Enterprises also should have a meaningful process for requesting reconsideration based on legal, factual, or economic errors. These protections would improve accountability while reducing delays, duplicative submissions, and uncertainty for participating lenders, investors, communities, and other market actors.

Finally, FHFA should confirm that Evaluation Guidance may clarify regulatory standards, evaluation methods, reporting formats, and evidentiary expectations, but may not create new substantive obligations outside appropriate public procedures. Guidance should not establish additional prohibited activities, alter eligibility conditions, impose mandatory participation expectations, or change the practical standard for receiving a satisfactory rating without notice and public input. If experience demonstrates that a new generally applicable requirement is necessary, FHFA should amend the regulation transparently rather than use guidance to recreate the prescriptive framework the proposal purports to remove.

VI. Innovation Must Remain Subject to Underwriting, Capital, and Market Discipline

New mortgage products and financing arrangements can address legitimate barriers, accommodate circumstances overlooked by standardized underwriting, and attract participation in underserved markets. Innovation is nevertheless a means of addressing a demonstrated problem, not an independent measure of public benefit. A product does not become successful merely because it is novel, generates additional originations, or expands Enterprise purchases. FHFA should require evidence that an innovation improves sustainable housing opportunities, addresses an identifiable financing failure, and produces benefits commensurate with its financial risks and market effects.

Ability to repay should remain central to the evaluation of every Duty to Serve activity involving household credit. FHFA should consider verified borrower income, recurring debt obligations, residual income after essential expenses, payment stability, and the capacity to absorb reasonably foreseeable shocks. Relevant shocks may include unemployment, illness, interest-rate changes, insurance and tax increases, maintenance expenses, and site-rent adjustments. Flexible underwriting should permit a more complete assessment of borrower circumstances, but it should not convert qualification into an exercise in finding assumptions that permit approval.

Down payments and accumulated equity also contribute materially to borrower and market resilience. Equity provides a financial cushion against declining prices, transaction expenses, and temporary hardship while reducing the likelihood that a borrower will owe more than the property is worth. It can affect repayment incentives, refinancing options, mobility, and loss severity following default. FHFA should not treat lower down payments as a costless expansion of access. The relevant inquiry is whether the complete transaction leaves the household capable of sustaining ownership under plausible adverse conditions.

FHFA also should evaluate cumulative underwriting risk rather than reviewing accommodations in isolation. Higher debt-to-income ratios, low down payments, alternative documentation, adjustable payments, subordinate financing, limited reserves, and other features may each be defensible in appropriate circumstances. Combining several features can create a materially different risk profile, particularly when repayment depends on continuing appreciation or future refinancing. Enterprise systems should identify such layering, explain any compensating factors, and test whether the loan remains sustainable when favorable assumptions no longer hold.

Risk should be accurately priced, adequately capitalized, transparently reported, and retained by parties capable of bearing potential losses. FHFA should determine whether interest rates, fees, credit enhancements, reserves, and Enterprise capital appropriately reflect expected and stressed losses. Cross-subsidies should not conceal the economic cost of an activity or prevent decisionmakers from identifying who bears its risks. Transparent accounting is especially important when private participants receive immediate benefits while the Enterprises or taxpayers remain exposed to losses that may emerge only after market conditions deteriorate.

Enterprise participation also can affect the development of private financing. FHFA should examine whether an activity attracts lenders and investors, establishes useful standards, corrects a demonstrable secondary-market failure, or permits a temporary intervention to become self-sustaining. Conversely, Enterprise advantages may displace unsubsidized financing, discourage competing products, or cause private actors to design transactions principally around FHFA eligibility. The Agency should distinguish productive market leadership from permanent substitution of government-supported capital for financing that private participants could provide on reasonable and transparent terms.

Ultimately, no Enterprise should receive favorable Duty to Serve treatment for an activity that weakens safety and soundness, masks risk through cross-subsidization, or increases taxpayer exposure without a demonstrable statutory benefit. FHFA should decline to reward transaction volume achieved by transferring risk, reducing borrower resilience, or relying on continued price appreciation. Innovation should receive favorable consideration only when it addresses an identifiable need, maintains prudent underwriting, reflects the full economic cost of risk, and contributes to a financially sustainable underserved market.

VII. FHFA Should Measure Sustainable Housing Outcomes Rather Than Transactions

Loan counts, purchase volume, dollars invested, outreach events, and completed plan objectives principally measure Enterprise activity. They can show that resources were committed or administrative commitments were fulfilled, but they do not establish that housing became more available, affordable, or sustainable. Transaction measures may even reward activity that would have occurred without intervention or that increases demand without expanding supply. FHFA's outcome-oriented approach should therefore begin by distinguishing inputs and outputs from changes in market conditions and household welfare attributable to Duty to Serve activities.

Supply measures should identify whether Enterprise activity helps create or retain usable housing opportunities. FHFA should track net additions to the housing stock, manufactured-home placements, expansions of manufactured-housing communities, rehabilitation of uninhabitable or deteriorating units, and increases in productive capacity. Preservation credit should be limited to units facing a demonstrable likelihood of conversion, abandonment, demolition, or loss of affordability. Gross financing totals should be adjusted for units removed from service, converted to higher-cost uses, or replaced without producing a net housing gain.

Affordability evaluation should incorporate the complete cost of occupying a home rather than focus exclusively on the mortgage rate or purchase price. Relevant measures include prices, rents, interest expenses, origination fees, closing costs, insurance premiums, property taxes, site rents, community charges, utilities, maintenance obligations, and expected repair costs. FHFA also should track total monthly housing burdens relative to household income. A financing arrangement that reduces one component while permitting other costs to increase may not produce a meaningful or durable affordability improvement.

Household sustainability requires measures extending beyond the closing date. FHFA should track borrower equity, payment burdens, delinquency, default, foreclosure, refinancing dependence, loss severity, and continued occupancy over a meaningful period. The Agency should evaluate whether borrowers can withstand income interruptions, higher recurring expenses, interest-rate adjustments, or stagnant and declining property values. Where available evidence shows that an activity initially expands access but subsequently produces elevated distress or displacement, FHFA should treat that result as a programmatic failure rather than count the original transaction as a permanent success.

FHFA should also apply additionality and counterfactual analysis. Before attributing a transaction or market result to Duty to Serve, the Agency should determine whether it probably would have occurred on substantially similar terms without Enterprise intervention. Relevant evidence may include prior market activity, comparable transactions, lender participation, pricing, and the availability of private financing. Crediting ordinary or inevitable transactions overstates program effectiveness and can obscure displacement. Performance evaluation should focus on identifiable changes caused by the intervention, not merely activity bearing an eligible designation.

To make these measures useful, FHFA should publish comparable results by Enterprise, underserved market, activity type, geography, and relevant borrower category. Reporting should permit the public to distinguish supply creation, genuine preservation, financing activity, household performance, Enterprise risk, and market additionality. Data should be presented consistently across years and accompanied by explanations of methodological changes and limitations. FHFA can protect personally identifiable information and legitimately confidential business information while still providing sufficient aggregated information for independent evaluation, informed public participation, and institutional accountability.

VIII. Manufactured Housing Requires Distinct Treatment

Manufactured housing is an important source of relatively lower-cost housing and can provide a meaningful response to supply constraints. Factory production may reduce construction time, standardize components, and lower certain labor and material costs compared with conventional site-built housing. Manufactured homes also can expand options in rural and other markets where new construction is limited. FHFA should facilitate responsible financing while recognizing that the affordability, durability, ownership structure, and long-term costs of manufactured housing vary considerably across transactions and communities.

Manufactured-housing finance encompasses materially different arrangements. A home titled as real property and secured together with land presents different collateral, depreciation, foreclosure, and consumer-protection questions from a home titled as personal property on leased land. Blanket loans on manufactured-housing communities finance the underlying property rather than individual residents' homes and can affect every household through ownership changes, site rents, fees, and community policies. FHFA should not apply a uniform assumption or performance standard to transactions with such different risk allocations and economic consequences.

The proposed presumption that manufactured-housing communities satisfy the affordability requirement unless FHFA determines otherwise may reduce costly documentation and remove barriers to financing. That administrative benefit is meaningful, particularly where existing tests require information that is difficult to obtain or poorly related to actual affordability. Housing type alone, however, does not establish that a property will remain affordable. A community that currently serves lower-income households may experience substantial rent increases, new fees, ownership changes, amenity repositioning, or conversion after receiving Enterprise-supported financing.

FHFA should evaluate the total cost and practical security of manufactured-home occupancy. Relevant considerations include interest rates, loan duration, amortization, fees, depreciation, site rent, community charges, utilities, insurance, taxes, maintenance obligations, and major repairs. The Agency also should consider whether a homeowner can relocate the structure economically or faces the loss of the home following eviction from the underlying land. A low purchase price may not produce sustainable affordability when financing costs and continuing occupancy expenses are unusually high or unpredictable.

Community-level analysis should distinguish financing that expands, improves, or genuinely preserves affordable manufactured-housing communities from financing that principally facilitates acquisition or extraction of additional revenue. Enterprise support should not receive favorable treatment merely because the collateral is a manufactured-housing community. FHFA should examine whether financing is associated with new sites, infrastructure improvements, necessary rehabilitation, reasonable lease stability, resident protections, or durable affordability. It should also monitor subsequent site-rent increases, fee growth, displacement, reduced protections, and conversion to higher-cost uses.

Consequently, FHFA should adopt separate performance measures for personal-property loans, real-property mortgages, blanket community loans, resident-owned communities, nonprofit or public ownership, and investor-owned communities. Measures should reflect the distinct borrower, collateral, ownership, and affordability characteristics of each arrangement. Reporting should identify financing costs, loan performance, resident expenses, units added or preserved, ownership changes, and displacement where relevant. Tailored evaluation would permit FHFA to recognize beneficial manufactured-housing activity without allowing broad classifications or presumptions to conceal materially different household and market outcomes.

IX. Rural Housing Policy Should Reflect Geography, Capacity, and Supply

Rural housing markets frequently differ from metropolitan markets in ways that affect both financing and housing availability. Transactions may involve smaller loan balances, limited lender and appraiser participation, older or unconventional properties, fewer comparable sales, and thin secondary-market activity. Communities also may face infrastructure deficiencies, restricted construction capacity, population loss, or considerable distances from employment and services. FHFA should account for these conditions without presuming that every rural financing difficulty has the same cause or can be corrected through additional Enterprise purchases.

FHFA reasonably identifies a weakness in the existing median-income methodology. In communities with widespread poverty or persistently low earnings, local median income can be so depressed that households considered low-income in a broader state or national context exceed the local threshold. This result may exclude borrowers who face substantial affordability and financing challenges merely because their neighbors have even lower incomes. Revising the methodology can therefore improve geographic fairness and prevent local economic distress from operating as an unintended barrier to Duty to Serve eligibility.

Using the highest available county, state, or national rural median also presents risks. A broader benchmark may expand eligibility to households with comparatively greater resources and easier access to conventional financing. Benefits could shift away from borrowers facing the most substantial barriers toward transactions that are simpler, larger, or more attractive to participating lenders. FHFA should ensure that revised thresholds do not transform a targeted underserved-market program into a broad rural mortgage preference disconnected from demonstrated financing needs or the circumstances of the intended income groups.

FHFA should evaluate the revised methodology through more than the number of newly qualifying loans. The Agency should examine geographic distribution, borrower income, debt burdens, property prices, loan terms, delinquency and default, lender participation, and evidence of previously unmet financing needs. It also should determine whether the change reaches persistently underserved places or principally adds borrowers already capable of obtaining similar credit. Periodic analysis should identify whether broader eligibility improves sustainable access, raises prices, or reallocates Enterprise support without changing rural housing availability.

Most importantly, additional credit cannot remedy every rural housing shortage. Inadequate roads, water and sewer systems, broadband access, utility capacity, construction labor, available land, permitting processes, insurance coverage, and local economic conditions may constrain viable housing production. Declining populations or employment opportunities can create different problems from those found in growing rural communities. FHFA should identify the operative constraint before selecting a financing response and should avoid presenting increased mortgage liquidity as a solution when the principal barrier lies outside the mortgage market.

X. Affordable-Housing Preservation Should Be Defined by Demonstrable Risk of Loss

Affordable-housing preservation can be a legitimate and consequential use of Enterprise financing. Timely capital may protect viable units from physical deterioration, expiring affordability restrictions, conversion to higher-cost uses, abandonment, demolition, or removal from the occupied housing stock. Preservation also can prevent displacement and maintain housing near employment, transportation, schools, and established community institutions. FHFA should recognize these benefits while ensuring that the designation is reserved for transactions that materially alter the likely future of units facing a credible threat.

Labeling an ordinary refinancing, acquisition, or rehabilitation as preservation does not establish that affordable units were actually at risk. Owners routinely refinance properties, replace maturing debt, make repairs, or transfer ownership as part of normal market activity. Enterprise participation may improve the financing terms without changing whether the units remain available or affordable. If every eligible transaction involving an existing affordable property receives preservation credit, FHFA will overstate program results and divert attention from properties facing genuine deterioration, conversion, or loss.

FHFA should require sufficient evidence of additionality before awarding preservation credit. The record should identify the threatened loss, conversion, or deterioration; the particular financing impediment preventing a market solution; the expected duration and enforceability of continued affordability; and the causal relationship between Enterprise involvement and the preservation result. Relevant evidence could include expiring restrictions, documented rehabilitation needs, pending conversion plans, financing gaps, or the absence of reasonable private alternatives. Requirements should be proportionate, but they must permit FHFA to distinguish intervention from ordinary financing.

Performance evaluation should continue after the financing transaction closes. FHFA should measure whether the units remain affordable, habitable, and occupied over the promised preservation period. Relevant indicators include rents, fees, utility burdens, physical condition, tenant displacement, affordability restrictions, compliance with rehabilitation commitments, and the duration of the benefit. A completed loan or investment is an input, not a preservation outcome. If costs rise materially or units leave the affordable stock soon afterward, the original transaction should not remain recorded as an unqualified program success.

At the same time, FHFA should distinguish genuine preservation from policies that protect particular units while impeding replacement, redevelopment, increased density, or net additions to the housing stock. Some aging properties may be better redeveloped to provide more units, improved conditions, or lower long-term operating costs. Preservation should not become an automatic preference for retaining every existing structure regardless of opportunity costs. The Agency should evaluate the net effect on affordable housing availability and permit approaches that combine appropriate tenant protections with greater long-term supply.

XI. FHFA Should Clarify the Eligible-Loan Restrictions and Corrected Refinancing Provision

An "eligible unless prohibited" framework depends heavily on the precision of its exclusions. Enterprises, lenders, investors, and other market participants must be able to determine whether a proposed loan purchase qualifies before committing resources or structuring transactions. Ineligibility provisions should therefore be clear, internally consistent, and connected to an identifiable statutory, economic, or prudential concern. Ambiguous exclusions can discourage legitimate activity, invite inconsistent treatment, and return the program to case-by-case administration even as FHFA seeks to provide greater operational flexibility.

FHFA's June 26 correction changes an important conjunction in the proposed refinancing exclusion. The original text would have made ineligible refinancing mortgages that were non-arm's-length transactions "or" borrower-driven. The corrected text instead applies to refinancing mortgages that are non-arm's-length transactions "and" borrower-driven. The revision appears to narrow the exclusion by requiring both characteristics rather than either one independently. It also avoids a reading under which an otherwise legitimate refinancing could be disqualified merely because the borrower initiated or sought the transaction.

The final rule should explain the policy rationale for requiring both characteristics and clarify the concern the combined standard is intended to address. FHFA should define "arm's-length" and "borrower-driven," identify the facts relevant to each determination, and explain whether either term incorporates existing Enterprise standards. Examples should distinguish ordinary borrower-requested refinancing, affiliated-party transactions, loan modifications, conversions, and arrangements involving sellers, servicers, or other related parties. Clear examples would reduce uncertainty without recreating an exhaustive list of approved transaction structures.

Beyond this correction, FHFA should review every loan-level exclusion for grammatical ambiguity, overlapping conditions, undefined terminology, and unintended consequences. The Agency should determine whether each provision clearly identifies the disqualifying characteristic, whether multiple clauses operate independently or cumulatively, and whether comparable transactions receive consistent treatment. This review should also consider whether an exclusion could inadvertently disqualify an economically legitimate transaction that advances

Duty to Serve without creating the targeted risk. Precise drafting is essential when eligibility turns on the absence of a regulatory prohibition.

XII. Implementation Should Include Baselines, Stress Testing, and Periodic Review

Before implementing the final rule, FHFA should document the existing program's administrative costs, activity levels, housing outcomes, loan performance, and decision times. Relevant baselines include the resources devoted to plans and modifications, the time required for eligibility and non-objection decisions, the number and type of supported transactions, and available measures of affordability and supply. Without a credible description of current conditions, FHFA will be unable to determine whether the new framework reduces burden, improves performance, or merely changes how obligations and activities are classified.

FHFA should also establish prospective and measurable objectives for the reform. These should address reductions in staff time, documentation, plan complexity, modification frequency, and decision delays, as well as changes in lender participation and private investment. Substantive objectives should include housing-supply additions, genuine preservation, total affordability, borrower sustainability, Enterprise risk, and taxpayer exposure. The Agency need not predict every result precisely, but it should identify the improvements the rule is intended to produce and the evidence that will demonstrate whether those improvements occurred.

Major products and activities should be evaluated under adverse economic scenarios rather than only under current or expected conditions. FHFA should examine performance when home prices decline or stagnate, interest rates increase, unemployment rises, insurance premiums and property taxes grow, and refinancing becomes less available. Manufactured-housing analysis also should consider site-rent increases, community ownership changes, and depreciation. Stress testing can reveal when apparent affordability or repayment capacity depends on favorable assumptions and can help FHFA identify cumulative risks before losses emerge across large Enterprise portfolios.

During early implementation, FHFA should publish annual information showing how the new framework operates in practice. Reporting should address eligibility and ineligibility determinations, decision times, plan modifications, administrative resources, Enterprise behavior, market participation, housing outcomes, loan performance, and safety-and-soundness effects. The Agency should explain material departures from its original objectives and identify requirements that have migrated into guidance or informal administration. Early reporting would allow FHFA, regulated entities, and the public to identify unintended consequences before they become embedded in subsequent planning cycles.

Approximately three years after implementation, FHFA should conduct a comprehensive retrospective review corresponding with completion of the first full planning cycle under the new framework. The review should compare actual results with the established baselines and prospective objectives, assess differences across the three underserved markets, and solicit public input from borrowers, residents, lenders, investors, housing providers, and other affected parties. FHFA should examine not only whether the Enterprises completed their plans, but whether the reform improved affordability, supply, sustainability, administrative efficiency, and financial resilience.

Based on that review, FHFA should amend ineffective regulatory provisions, withdraw burdensome or unnecessary guidance, clarify discretionary standards, and improve performance measures. The Agency also should discontinue or restrict activities that increase prices, borrower distress, Enterprise risk, or taxpayer exposure without producing measurable statutory benefits. Conversely, successful approaches should be identified and made easier to replicate where market conditions are comparable. Treating implementation as an evaluative process rather than a one-time publication would make the reform more durable, accountable, and responsive to evidence.

Conclusion

CRAE appreciates FHFA's willingness to reconsider a complex regulatory program combining housing policy, secondary-market liquidity, financial supervision, and taxpayer risk. The existing Duty to Serve framework reflects legitimate efforts to structure Enterprise performance across manufactured housing, affordable-housing preservation, and rural housing. Experience nevertheless suggests that detailed activity classifications and administrative procedures can consume substantial resources without demonstrating corresponding improvements in housing availability or affordability. FHFA should use this rulemaking to connect regulatory flexibility with economic evidence, prudential discipline, and measurable public benefits.

Meaningful simplification requires eliminating activity classifications, procedural obligations, documentation requirements, and scoring conventions that do not improve statutory compliance or program performance. Those burdens should not reappear through Evaluation Guidance, templates, individualized conditions, plan negotiations, or unpublished expectations. FHFA should account for the requirements it removes, retains, or relocates and explain the purpose of each continuing obligation. A simpler rule will represent genuine reform only if the complete administrative system becomes more understandable, predictable, and proportionate in practice.

Economic realism also requires distinguishing mortgage financing from housing production. Additional credit can increase purchasing power, but it cannot by itself create land, structures, infrastructure, labor, utility capacity, insurance availability, or regulatory permission to build. Where supply cannot respond, financing preferences may increase prices, rents, land values, or community charges rather than produce sustainable affordability. FHFA should determine whether supported activities add supply, preserve units genuinely at risk, or correct identifiable market failures instead of presuming that greater liquidity necessarily benefits households.

History counsels similar restraint. Before the financial crisis, expanded mortgage approvals, rising purchase volume, and short-term increases in homeownership appeared to demonstrate successful housing policy while leverage and underwriting risk accumulated. Rising prices temporarily concealed borrower vulnerability and institutional exposure. When market conditions reversed, those weaknesses contributed to defaults, foreclosures, financial losses, and taxpayer intervention. FHFA should therefore evaluate innovation through repayment capacity, cumulative risk, borrower equity, loan performance, capital adequacy, and resilience under adverse conditions rather than initial transaction volume.

Accountability should accompany the broader “eligible action” framework. The final rule should establish objective eligibility standards, defined decision periods, written explanations, consistent treatment, public interpretations, and meaningful reconsideration procedures. Performance measures should reflect supply, genuine preservation, total housing costs, household sustainability, market additionality, private participation, Enterprise exposure, and taxpayer risk. FHFA also should publish comparable results and evaluate borrowers and Enterprise activities over a sufficiently long period to distinguish temporary financing expansion from durable housing and financial outcomes.

A durable final rule should preserve useful flexibility without creating an open-ended credit-expansion mandate or replacing published regulation with informal discretion. FHFA should establish implementation baselines, test major activities under adverse scenarios, report early results, and conduct a comprehensive review after the first complete planning cycle. Duty to Serve should ultimately be judged by sustainable affordability, additional housing opportunities, sound financial performance, responsible private participation, and protection of taxpayers. Those standards would allow FHFA to reduce unnecessary burdens while remaining faithful to both HERA’s housing mission and its prudential responsibilities.

Sincerely,

Andrew M. Langer

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Main Street Foundation