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Re: Comments / RIN 2590-AB64 — Enterprise Duty To Serve Underserved Markets (Proposed Rule)

91 FR 37848 (June 24, 2026)

Clinton Jones, General Counsel
Attention: Comments/RIN 2590-AB64
Federal Housing Finance Agency
400 Seventh Street SW, Washington, DC 20219

July 24, 2026

To the Federal Housing Finance Agency:

I am a licensed California real estate broker (CA DRE #01940589) practicing in Los Angeles, where the median home was built in 1965. I run a borrower-education and renovation-readiness program that prepares first-time buyers to use purchase-renovation mortgages, and I analyze HUD's FHA 203(k) endorsement data by lender and field office. I support the proposed rule's direction, with three recommendations.

I support the shift from prescribed Activities to "eligible actions." The preamble's diagnosis is right: a menu of prescribed Activities rewards "a high volume of low-impact activities" over "fewer, higher-impact actions" (91 FR 37852, 37857). Judging an Enterprise on whether it met the market's needs, rather than its own Plan goals, is the better architecture.

My recommendations apply it to one segment the proposal leaves ambiguous: renovating America's existing affordable housing stock.

Recommendation 1 — Say that preserving the *physical* housing stock counts

Responds to Question 1, 91 FR 37866.

> **The ask:** make clear that preserving the physical condition of affordable homes qualifies, not only preserving legal affordability restrictions.

Proposed § 1283.2 defines the affordable housing preservation market as properties serving very low-, low-, and moderate-income families "by preserving existing affordability restrictions or supporting sustainable affordability mechanisms." That reads on *legal* affordability — restricted and subsidized stock. It is ambiguous about the aging, unsubsidized homes that are affordable without any restriction, which are most of the housing these families can actually buy.

The preamble makes this case for rental housing: preservation "is reaching a critical point," and "physical deterioration creates a secondary crisis: the capital required for necessary rehabilitation is often so high that it threatens the financial viability of maintaining the units' long-term affordability" (91 FR 37851). The same crisis exists for owner-occupied homes, and it is measurable:

- The median owner-occupied U.S. home is **44 years old (2023) — the oldest on record** (Harvard Joint Center for Housing Studies, *Improving America's Housing 2025*).
- Both Enterprises offer renovation products, but volume has collapsed. Fannie Mae renovation loans fell from **6.4 percent of first-lien originations in 2016 to under 1 percent in 2023**; Freddie Mac's from **roughly 7 percent to 0.8 percent** (Urban Institute, April 2025).
- The cost lands on the families the statute names: because renovation files fail at elevated rates, sellers avoid renovation-loan buyers, and "homes that need repairs are disproportionately going to investors" rather than owner-occupant first-time buyers (Urban Institute, April 2023).

Renovation lending underwrites a home's as-completed value, which makes it the only channel through which a low- or moderate-income *buyer* can purchase and repair an aging home. Cash-out refinances and HELOCs are unavailable at purchase and lend only against pre-repair value. If the preservation definition does not clearly reach renovation lending, the rule's new flexibility will not either.

> **Suggested revision (§ 1283.2):** define the affordable housing preservation market as the market for residential properties that provide housing to very low-, low-, and moderate-income families "by preserving existing affordability restrictions, supporting sustainable affordability mechanisms, **or preserving the physical quality and habitability of existing affordable housing, including through purchase-renovation and renovation mortgage loans**."

Recommendation 2 — Publish how many renovation loans the Enterprises actually buy

> **The ask:** add one number to the annual reporting framework.

No official series of Enterprise renovation-loan volume exists; the best figures are the third-party estimates cited above. A market the public cannot see is a market the new outcome-based evaluation cannot rate well.

The rule already builds the shelf. Section 1283.4(b)(6)–(7) requires each Plan to list the products supporting each underserved market in summary reference tables, which the preamble notes "may also be useful to lenders and other market participants seeking to assist these markets" (91 FR 37858). Section 1283.5(b) lets FHFA require "such other information and data" in annual reports.

I recommend FHFA use that authority to publish annual Enterprise renovation-loan purchase volume — HomeStyle Renovation, CHOICERenovation, and CHOICEReno eXPress. It is one metric drawn from data the Enterprises already hold, so it fits the rule's burden-reduction purpose, and it would let the component rating for "loan product development" (§ 1283.6(b)(1)) rest on evidence rather than anecdote.

Recommendation 3 — Confirm renovation loans are eligible, and let demand-side work count

> **Two asks:** confirm purchase-renovation mortgages qualify as eligible actions, and recognize demand-side development as innovation.

First, a technical clarification. Proposed § 1283.7(a)(2)(vii) makes mortgages on properties "not approved for occupancy" ineligible, excepting single-close construction-to-permanent loans during construction. Purchase-renovation loans on existing homes deserve the same clarity, because a house can be temporarily unoccupiable mid-repair. I recommend FHFA confirm — in the final rule or its preamble — that purchase-renovation and renovation mortgage purchases are eligible actions, including during the rehabilitation period.

Second, product terms are not the binding constraint. The preamble's chattel-lending discussion shows the right reasoning: a product that exists on paper while "the market remains underdeveloped, with limited liquidity … and a lack of robust performance data" (91 FR 37857). Renovation lending has the same shape, and FHA already ran the experiment. HUD raised the Limited 203(k) rehabilitation cap from $35,000 to $75,000 in November 2024 (Mortgagee Letter 2024-13). The program's share of FHA purchase endorsements was 0.5 percent before the reform and remains 0.5 percent after (HUD Single Family Production Reports). In HUD's Los Angeles field office — nearly ten million people — all lenders combined recorded **17** 203(k) endorsements in the first nine months of FY2026 (HUD CHUMS data).

Better terms did not move the market. The real constraints are borrower awareness, borrower readiness, and loan officers' experience of elevated fallout.

That is what "eligible actions" is built for: it lets an Enterprise pursue borrower education, renovation-readiness initiatives, and outreach through loan sellers and market participants (§ 1283.6(b)(2)–(3)) instead of another round of product-term changes. I ask that FHFA's evaluation expectations recognize demand-side development of the renovation segment as the market-responsive innovation the rule intends to encourage.

I would welcome the opportunity to share the underlying HUD endorsement data and field observations with the Division of Housing Mission and Goals.

Respectfully submitted,

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