July 24, 2026

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

Re: Enterprise Duty to Serve Underserved Markets RIN 2590-AB64

Dear Mr. Jones:

Thank you for the opportunity to comment on proposed rule changes to the "Enterprise Duty to Serve Underserved Markets." My remarks are on behalf of CAHEC, the organization for which I have been President & CEO since 2002. As background, CAHEC was established in 1992 to help finance the development of affordable rental housing in North Carolina. Our leadership in affordable housing advocacy, collaboration with community organizations, and knowledge of local markets continues to foster high-quality and strategic investments, especially in underserved markets.

Today, CAHEC is a leading community investment organization focused on syndication (raised $3.7 billion toward the financing of 930 communities), preservation (rehabilitated 204 communities), general partnerships (owns 234 communities), property management (oversees 396 communities), and charitable initiatives (granted $19.9 million to its residents and communities) throughout the mid-Atlantic and South. I share these facts with the understanding that most of CAHEC's community impact would not be possible without investment from the (i) banking community to satisfy their CRA requirements and (ii) Enterprises to further their Duty to Serve mandates.

CAHEC appreciates FHFA's efforts to streamline the evaluation and reporting requirements of the Duty to Serve (DTS) program. Our hope is that, with the proposed revisions, you take into consideration that LIHTC equity investments were "shoehorned" into the original roll-out of the program to allow the Enterprises an opportunity to re-enter the marketplace. During regular intervals to revisit investment caps, FHFA has attempted to better align desired investments with the intent of DTS, yet it remains disjointed.

Our fear is that while these proposed revisions attempt to simplify the program, they may inadvertently fail to make distinctions between debt and equity investments, with the result that the cornerstone of the Enterprises' re-entry – providing investments in rural markets where private capital is in short supply – will further evaporate.

As such, CAHEC would like to formally respond to the following posed by FHFA:

Question #1. Should FHFA consider changing the scope of the definitions for affordable housing market, manufactured housing market, or rural housing market?

While we understand the definition changes for ease of execution for lending purposes, including Low Income Housing Tax Credit (LIHTC) equity investments and the restrictions embedded in the tax credit program, we believe the broader definition of Affordable Housing *("FHFA proposes to define the affordable housing preservation market as the market for preserving residential housing that is affordable to very low-, low-, and moderate-income families by preserving existing affordability restrictions and supporting sustainable affordability mechanisms.")* provides the Enterprises an ability to invest in nearly any transaction. Coupled with the proposed definition for Underserved Markets, without additional context or restrictions for LIHTC investments, the Enterprises could fully circumvent rural investment and still meet their DTS requirements. This is the exact opposite of what the industry needs.

As there is already greatly diminished investor appetite in rural areas, we fear we will continue to witness the Enterprises continuing to compete and invest in large metropolitan developments that already have abundant investor appetite by banks attempting to meet CRA demands. The definitions of Affordable Housing and Underserved Markets within the LIHTC framework should instead be modified to focus on those secondary and tertiary geographic markets where, like rural, have limited CRA demand, and thus investor interest, making the allocations tremendously difficult to complete.

CAHEC supports the proposed changes to the Rural definition. As FHFA noted (*"Private capital is often scarce due to small deal sizes, limited CRA incentives, and limited lender participation due to perceived risk."*) in the rule changes, the ability to develop in these areas remains a challenge. Broadening the rural definition would help address these challenges by supporting a wider array of communities.

Specific to LIHTC equity investments, however, FHFA must reconsider how it evaluates the Enterprises' efforts in these rural areas. Historically, FHFA assessed the Enterprises' activities in rural investments by project count versus equity dollars. The result is a significant underrepresentation in rural investment. For example, in 2026 Fannie Mae is committing $10MM to CAHEC's multi-investor fund, and through this investment will count ten rural investments (of 21 investments in the fund) for DTS. This nominal investment, representing only 0.5% of the total cap offered to Fannie Mae, will satisfy 35% of their DTS rural requirements; while their equity commitment to those specific rural properties is de minimis when considering their pro-rata share across all properties in the fund.

We understand with the most recent cap increase that FHFA has amended the evaluation process to review both project count and equity commitments. This, too, has skewed investment decisions by the Enterprises. As another example, Freddie Mac utilizes proprietary investments and is attempting to limit their rural investments to the very limited number of projects with associated large equity commitments to achieve their equity requirements. As you stated, many rural properties are small and require a nominal investment which most private capital is not interested in pursuing. It appears that this latest directive by the FHFA is leading the Enterprises to take similar approaches to private capital by simply investing on the 'fringe' of rural – geographic areas that are on the edge of the rural definition, and larger in size, as they likely serve a growing submarket.

CAHEC values the partnerships we have held with Fannie Mae and Freddie Mac and applauds their commitment to rural investments. As these examples portray, both organizations have taken worthy and divergent approaches in their attempts to satisfy DTS thresholds. But to be effective and truly serve these rural markets, the valuation mechanisms utilized by FHFA need to be re-examined so that there is meaningful financial impact.

Question #5. Are there additional summary reference tables that the Enterprises should include in their Plans to enhance transparency, comparability, and accountability?

Ironically, while FHFA utilized DTS in part to allow the Enterprises to re-establish LIHTC equity investments, it is common knowledge across the industry how little of their respective caps are actually allocated to rural investments. Further, the market has common knowledge of the Enterprises' ability to invest without any type of DTS restrictions. If these proposed rule changes are adopted as written, FHFA should at least provide additional transparency to Congress and the market regarding how and where each Enterprise is investing. Beyond the changes to definitions, geography matters in LIHTC investments due to the preponderance of banks making similar investments for CRA purposes. As such, the transparency of adding reference tables on Enterprise investment is important to hopefully diminish or prevent the geographic redundancies of Fannie Mae or Freddie Mac competing and investing in markets where there will continue to be ample private capital to satisfy demand.

Question #9. FHFA proposes to remove the restriction that permitted LIHTC equity investments only in rural areas, to expand eligibility for LIHTC equity investments to all underserved markets. Should the Enterprises also be permitted to invest in New Markets Tax Credits, to provide additional liquidity to increase housing supply?

In 2026, CAHEC New Markets hopes to invest (from its Round 21 (2024-2025) allocation) in at least one opportunity that includes a housing initiative. While there is still much work to be done within the industry to make this type of investment efficient, liquidity is always a challenge. As such, we would welcome the opportunity for the Enterprises to participate in NMTC investments.

In conclusion, the absence of the Enterprises in the LIHTC market was a significant burden for low-income production. FHFA's calculated process to evaluate how the Enterprises re-established themselves in the LIHTC market was commendable. While FHFA reflects on the first decade of DTS and proposes various changes, we simply ask staff to consider the distinctions between the lending and equity activities of the Enterprises. As written, we fear the liquidity you are attempting to bring to underserved markets will decrease as the Enterprises focus their attention on larger metropolitan areas that are already sufficiently served by private capital.

Sincerely,

Dana Boole

Dana Boole
President & CEO