24 July 2026

Comments re: Enterprise Duty To Serve Underserved Markets

Docket No. RIN-2590-AB64

Fahe writes respectfully in response to the Federal Housing Finance Agency's (FHFA) Proposed Rule and Request for Comments, "Enterprise Duty To Serve Underserved Markets", and thanks the Agency for the opportunity to share our perspective on the Enterprises' responsibility and ability to serve underserved markets. Although we have concerns about the incentives to serve High-Needs Rural Regions, we commend the Agency's proposal to fix the rural area median income (AMI) floor, as it will open the door for more investment in states with high concentrations of rural poverty.

Fahe is a Network of 50+ nonprofit organizations building thriving communities in Appalachia. Since 1980, Fahe has invested over $2.08B in our region, generating $1.85B in finance. Channeled through our Members and community partners, this investment has directly changed the lives of 1,063,144 people in some of the hardest-to-reach places in Appalachia. In response to the severe housing shortage that our communities are facing, our Network decided to take on a big challenge. Last year, we committed to doubling our level of production over the next five years: we will build or rehabilitate 60,000 homes and serve 1 million Americans by 2030.

<u>High-Needs Rural Areas Face a Housing Crisis</u>

FHFA defines "High-needs rural regions" (HNRR) as Middle Appalachia, the Lower Mississippi Delta, colonia census tracts, persistent poverty counties, and (proposed) Indian areas, and acknowledges that households in these regions "face challenges such as a lack of affordable housing, lower wages, and limited access to credit". These demand-side challenges typically occur alongside supply side issues. For example, in many of these rural counties, new home construction has been entirely nonexistent since the Great Recession. Because consumers are unable to buy new homes at market price, sale volume is low, which means there are few comparable sales. When a developer *does* build a new home (in many cases a nonprofit affordable housing developer), the inadequate comps result in an artificially low appraised value. Because the costs of building have skyrocketed due to rising land, labor, and materials costs, the appraised value of a new home in a high-poverty rural census tract is often significantly lower than the developer's cost to build the home, meaning builders can lose money on every sale. In many communities in HNRR, the housing market is so broken that it is not possible to make a profit as a private homebuilder, and communities rely on nonprofit developers using certain federal programs to finance new construction and repair projects.

As part of Duty to Serve, the Enterprises must "facilitate a secondary market for eligible mortgages on housing for very low-, low-, and moderate-income families in rural areas". However, the demand- and supply-side challenges have made it extremely difficult for the Enterprises to serve these areas. The lack of liquidity in the secondary market makes private financing even more difficult, further exacerbating the vicious cycle of poverty, low sale volumes, and low homeownership supply. The current Duty to Serve framework encourages the Enterprises to make a good faith attempt to serve HNRR communities anyway, by requiring them to commit to carrying out a list of enumerated activities including buying mortgages located in these regions or taken out by high-needs rural populations.

While we commend FHFA's commitment to innovation and dynamism, we worry that a lack of enumerated standards will ultimately lead to poorer outcomes in HNRRs. Because rural areas suffer from a lack of private investment, the GSEs should be actively encouraged and incentivized to provide liquidity to those communities. If the new Proposed Rule is implemented as-is, the GSEs may be able to innovate and serve rural areas better, but FHFA must ensure that the changes to Duty to Serve don't lead to a decrease in rural investment, especially where it is needed most – in HNRRs.

The Current AMI Calculation Method Fails Rural Communities

On the other hand, Fahe commends FHFA on its proposal to fix the Area Median Income (AMI) calculation method to allow for the national nonmetropolitan median income to be used as a floor for rural areas. The current AMI system fails families and economies in HNRR because of the inherent flaw in using *median* income to determine household poverty – it compares households to their neighbors. Most federal programs set income limits at 80% AMI, with deeper targeting goals at 50% and 30% AMI. Enterprise Duty to Serve includes moderate-income families, encouraging the enterprises to provide liquidity for borrowers at and below 100% of AMI. However, if a whole community is struggling economically, perhaps due to the loss of a major employer, then the median income will be depressed, and families who do not earn enough to afford homeownership on their own may still struggle to qualify for programs because they and their neighbors have similarly low earnings. This targeting failure means that programs fail to reach the very households that they were designed to serve, with negative consequences for families struggling to get by, and for their communities, which ultimately miss out on federal investment. It also means that families earning 80-100% AMI in HNRR are not attractive borrowers, and earn far too little to afford to take out a mortgage and buy a home on the private market.

Congress has tried to address this problem by implementing a "state floor" mechanism, which allows communities to use the higher of the county AMI or state nonmetropolitan AMI as a floor for income limits. However, the state floor is only a partial fix. The statewide rural median income is still very low in states with large concentrations of rural poverty, like Kentucky and West Virginia in Fahe's service area. For FY26, HUD has determined that the nonmetropolitan median income for a family of four is $71,900 in Kentucky and $75,100 in West Virginia, which would put income limits for most federal programs at $57,520 and $60,080 in each of those respective states. Families earning even slightly more than those limits are ineligible for federal programs, but these families (even up to 100% AMI) no longer earn enough to afford the median rural home after prices skyrocketed in the aftermath of the pandemic. Even if these families could afford to take out a private mortgage, those mortgages would likely not be attractive to the secondary market due to the higher debt to income ratio.

> *Fahe Members in many of the rural counties of Appalachia have long faced this challenge to their work, and as a result Fahe conducted a study into the causes of, and solutions to, insufficiently placed income limits in high needs rural areas. You can read that study here, for more information on the effects of changing income limits and data from a nationwide look at the effects of a similar change to one proposed here by FHFA.*

Giving counties, programs, and the Enterprises the option to use the national nonmetropolitan median income as a floor for eligibility in rural areas would raise the floor in states like Kentucky and West Virginia without affecting states that already have a higher rural median income, like Alaska and New Hampshire. These states could still use their own state floor, while states with lower incomes could use the national nonmetropolitan floor. In 2026, HUD determined that the national nonmetropolitan median income is $84,700, which is over $10,000 more than Kentucky's current state floor, and nearly $10,000 above West Virginia's. Families earning up to this amount in these states could likely afford to buy a home on the private market, and the Enterprises should be encouraged to provide liquidity for those transactions. Raising the floor would increase investment and secondary market liquidity in states with high concentrations of rural poverty, and FHFA should encourage HUD to take up this fix as well.

While Fahe believes that the proposed rural AMI fix will benefit rural communities by increasing the flow of capital to high-needs places, allowing cities to use the national *metropolitan* median income as a floor goes too far. HUD pegged this figure at $110,200 for 2026, which is over $30,000 more than the rural median income. Every state has a metropolitan median income that is higher than the national rural median, so allowing cities to use the national metropolitan AMI is unnecessary – families earning up to 100% AMI in most cities can generally afford to buy a home on the private market.

To better serve struggling cities with depressed AMIs, FHFA should either allow cities to use their respective state metropolitan median income, or set the national nonmetro AMI as a floor for the entire country (both for urban and rural places). For example, in Brownsville, Texas, the median income is $64,600, so the city should be able to use Texas's metropolitan median ($104,200) or the national nonmetropolitan median ($84,700) as a floor for program eligibility. This would help families in cities with struggling economies, without counting well-off families in wealthier cities as "low- to moderate-income".

Again, Fahe thanks FHFA for the opportunity to comment on this Proposed Rule, and looks forward to continuing to work with the Agency and the Enterprises to ensure that our shared mission is achieved efficiently and effectively. Please let us know if there is any way that we can be of assistance as the Agency finalizes this Rule.