Fannie Mae

July 24, 2026

By Electronic Submission

Clinton Jones, General Counsel
Federal Housing Finance Agency
400 Seventh Street, SW
Washington, DC 20219

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

Dear Mr. Jones:

Fannie Mae welcomes the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") proposed rule, *Enterprise Duty to Serve Underserved Markets* ("Proposed Rule").[1] We appreciate FHFA's efforts to modernize the Duty to Serve program in light of nearly a decade of implementation experience, and commend FHFA for advancing a revised framework designed to encourage innovation, reduce administrative burden, and promote meaningful impact in underserved markets. Fannie Mae strongly supports these objectives.

This letter first addresses several key framework issues, including the application of median income across Enterprise programs and activities and certain aspects of the evaluation criteria and implementation timelines. It then offers technical recommendations and requests for clarification regarding specific provisions of the Proposed Rule. We also respond to the 14 questions posed by FHFA.

I. Key Framework Issues

A. Align Median Income Calculations Across Enterprise Programs and Activities

FHFA proposes to revise the calculation of borrower median income used to determine eligibility for very low-, low- and moderate-income thresholds for Duty to Serve purposes.[2] The proposal is intended to address concerns that the current methodology may limit recognition of qualifying activities in areas of concentrated poverty. FHFA indicates in the preamble that the revised methodology is expected to expand Duty to Serve-eligible rural lending.[3]

[1] 91 Fed. Reg. 37848 (June 24, 2026).

[2] Under proposed § 1283.7(b)(4), rural borrower incomes would be compared to the highest applicable median among county, state, and national rural medians, and urban borrower incomes would be compared to the highest applicable median among county, state, and national urban medians.

[3] 91 Fed. Reg. at 37865.

Fannie Mae supports FHFA's objective of ensuring that Duty to Serve eligibility appropriately reflects underlying economic conditions. Given the central role of median income in mission-related programs and activities and the strategies used to reduce borrower costs, however, the design and implementation of any revised methodology will have broader implications that warrant careful consideration.

Median income is a key eligibility factor in a wide range of programs and activities supporting mission objectives including housing goals and the HomeReady® mortgage, Fannie Mae's flagship single-family affordability solution. Median income also informs certain pricing features. Fannie Mae currently waives or provides credit for single-family national loan-level price adjustments (upfront fees) for specified borrower segments based on income thresholds, and changes to those pricing structures require FHFA approval.

Consistent application of any revised median income methodology is therefore critical. Aligning the calculation across programs and activities helps ensure that lenders and borrowers can readily determine eligibility and supports effective integration into Enterprise systems. Accordingly, we recommend that any revised methodology be implemented consistently and simultaneously wherever median income is used, and that related pricing structures be reviewed in light of those changes.

B. Limit Evaluation Criteria to Statutory Factors

Proposed § 1283.6(b)(5)-(7) would establish "Program Requirements," "Program Management," and "Other Factors" as independent evaluation components within FHFA's market-level rating framework. We believe these elements are better addressed through Plan development, narrative assessment, and existing supervisory processes, rather than as separate evaluation factors.

Proposed § 1283.4(b)(4) already requires each Enterprise to describe in its three-year Plan how it will satisfy the Program Requirements. These statutory mandates were enacted in 1992 in connection with the affordable housing goals and later extended to the Duty to Serve.[4] In both contexts, they have historically functioned as implementation obligations, not standalone evaluation criteria. Consistent with that role, Program Requirements—and any "Other Factors" identified by the Director before the applicable Plan year—should be addressed through Plan development and FHFA's annual qualitative narrative assessment (proposed § 1283.6(e)).

Program Management presents a distinct issue and should not be a factor in Duty to Serve evaluation. Governance, internal controls, and management effectiveness are already subject to FHFA supervision under the Safety and Soundness Act. Including Program Management in the Duty to Serve evaluation framework would duplicate that oversight and shift the focus away from market-facing, outcome-oriented performance. Moreover, evaluating the Board's "capability and willingness ... to meet the Enterprise's duty to serve" (proposed § 1283.6(b)(6)) could create unnecessary tension with the Board's exercise of its duties and responsibilities, particularly where program objectives must be balanced against broader safety and soundness considerations.

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[4] *See* Pub. L. No. 102-550, § 1335 (Oct. 28, 1992); Pub. L. No. 110-289, § 1129(a) (July 30, 2008).

Our suggested approach aligns the rule with the statutory framework. 12 U.S.C. § 4565(d) distinguishes between FHFA's authority to establish the "manner" of evaluation and the specific substantive factors Congress identified—loan product development, outreach, loan purchases, and investments and grants. Preserving that distinction ensures that the evaluation framework remains focused on measurable impact in underserved markets while preserving FHFA's flexibility over mechanics such as timing, scoring, weighting, and narrative assessment.

C. Adjust Implementation Timelines

Time to Submit Final Plan. FHFA anticipates that the Enterprises would have approximately 30 days to evaluate public input and FHFA feedback, make any necessary Plan adjustments, and resubmit the Plans to FHFA.[5] Depending on the volume and nature of the feedback, this compressed timeframe may be insufficient. We recommend providing no less than 60 days after the close of FHFA's public input period for resubmission of the proposed Plans. This additional time could be accommodated, for example, by advancing the deadline for the initial submission of proposed Plans from June 30 to June 1.

Time to Submit Reports. FHFA proposes to accelerate the annual and quarterly report submission deadline by 15 days but does not specify the information and data required to be reported, indicating that such requirements will be established "periodically, outside of a rulemaking."[6] Until those requirements are defined, it is difficult to assess whether the proposed timeframes are workable. Based on the current reporting templates, however, the accelerated deadlines would present operational challenges, particularly for preparation of the annual reports. Year-end data typically does not become available until mid-January, after which time is needed to validate the data, prepare the required narrative, align with business stakeholders, and complete internal governance and approval processes. Even with increased automation, earlier deadlines would likely remain challenging absent meaningful streamlining of FHFA's reporting expectations.

II. Technical Comments and Requests for Clarification

A. Clarify Treatment of Chattel Loans (§§ 1283.2, 1283.7(c))

The Duty to Serve statute expressly contemplates consideration of loans secured by both real and personal property, and FHFA's preamble emphasizes the importance of expanding Enterprise impact in the chattel lending market.[7] As drafted, however, the definition of "mortgage" in proposed § 1283.2 appears limited to interests in real estate and could therefore inadvertently exclude loans secured by manufactured homes titled as personal property (chattel loans). To address this issue, we recommend incorporating language from the definition of "mortgage" in the Freddie Mac charter,[8] as follows:

[5] 91 Fed. Reg. at 37859.

[6] 91 Fed. Reg. at 37861.

[7] *See* 12 U.S.C. § 4565(d)(3); 91 Fed. Reg. at 37857.

[8] 12 U.S.C. § 1451(d) (definition of "mortgage").

"*Mortgage* means a member of such classes of liens, including subordinate liens, as are commonly given or are legally effective to secure advances on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, <u>or a manufactured home that is personal property under the laws of the State in which the manufactured home is located,</u> together with the credit instruments, if any, secured thereby, and includes interests in mortgages."

In addition, FHFA should clarify the treatment of transactions in which an Enterprise holds both a blanket mortgage on a manufactured housing community ("MHC") and chattel loans within that community. This could be done by adding a new paragraph to proposed § 1283.7(c) modeled on paragraph (4)(iii):

"<u>*Manufactured housing communities.* Where an Enterprise purchases both a blanket mortgage on a manufactured housing community and personal property (chattel) loans for manufactured homes in the same community, both the mortgage on the manufactured housing community and the personal property loans will be treated as mortgage purchases</u>."

B. <u>Revise Definition of "Proprietary Information" (§ 1283.2)</u>

The definition of "proprietary information" in proposed § 1283.2 warrants revision. Although the preamble indicates that the term is intended to carry forward the existing definition in part 1282,[9] the proposed text omits key limiting language. As drafted, it could be read to suggest that information constitutes "proprietary information" solely because it is included in the Enterprises' Annual Housing Activities Reports. We recommend retaining the current formulation in 12 C.F.R. § 1282.1, which appropriately limits the term to data and information "that contain trade secrets or privileged or confidential, commercial, or financial information that, if released, would be likely to cause substantial competitive harm."

C. <u>Reflect Enterprise Discretion in the Public Input Provision (§ 1283.4(c)(2)(ii))</u>

FHFA indicates in the preamble that the Enterprises are expected to exercise their professional judgment and expertise in determining how to address public feedback.[10] As drafted, however, proposed § 1283.4(c)(2)(ii) states that "[e]ach Enterprise must revise its proposed Plan based on public input." This could be read to require an Enterprise to adopt feedback that, after due consideration, it determines should not be included in the Plan.

Consistent with the approach described in the preamble, the regulatory text should provide that the Enterprises will consider public input, while retaining discretion regarding whether and how to revise their Plans.[11] Accordingly, we suggest revising proposed § 1283.4(c)(2)(ii) as follows:

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[9] 91 Fed. Reg. at 37856.

[10] 91 Fed. Reg. at 37858.

[11] The preamble section titled "Plan Content" refers to a new requirement that the Enterprises "provide a reasoned response to substantial points raised during the public comment period." 91 Fed. Reg. at 37858. We understand that reference to relate to the Plan Content requirements in proposed § 1283.4(b)(5) (Plan must describe how the Enterprise addressed any significant input received), rather than the Plan submission requirements under proposed § 1283.4(c).

"Each Enterprise must ~~revise its proposed Plan based on public input~~ consider the public input and may, based on such input, revise and resubmit the proposed Plan to FHFA for review by October 1 of the year prior to the first year for which the Plan is applicable."

D. Provide Written Feedback During the Plan Year (§ 1283.5)

Proposed § 1283.5 requires the Enterprises to participate in ongoing monitoring discussions with FHFA regarding Plan performance. This is a positive feature of the framework, particularly given the shift to a more flexible, outcomes-oriented evaluation approach.

To support effective Plan execution, FHFA should consider specifying in the final rule that it will provide periodic feedback during the Plan year, including written feedback in connection with quarterly reporting. Such feedback could indicate whether Enterprise activities are generally on track relative to Plan objectives and identify any areas of concern as they arise. Establishing this expectation would promote transparency and predictability while enabling the Enterprises to make timely adjustments, as appropriate, to better serve underserved markets.

E. Confirm that Evaluations Reflect the Full Scope of Enterprise Actions (§ 1283.6(a))

The Proposed Rule adopts an approach that reduces the need for Plan modification, including in response to ordinary market volatility. FHFA explains that if an Enterprise misses a target due to ordinary market volatility it may address the shortfall in its annual report by describing market conditions and any mitigating actions taken, "including actions that were not originally contemplated in the Plan," and that FHFA will take those conditions and actions into account when evaluating performance.[12] This approach reflects the broader shift to a more flexible, outcome-based framework that allows the Enterprises to "pivot" as market needs emerge[13] and focuses evaluation on the totality of Enterprise actions and their actual market impact, rather than on whether specific Plan objectives were met.[14]

To better align the regulatory text with the principles described in the preamble, we suggest revising the second sentence of proposed § 1283.6(a) as follows:

"In determining whether, and the extent to which, an Enterprise has complied with the duty to serve each underserved market, FHFA will evaluate and rate the impact of the Enterprise's actions to address the needs of each underserved market during the applicable Plan year, taking into account the totality of the Enterprise's realized actions, whether or not identified in the Plan."

[12] 91 Fed. Reg. at 37860.

[13] 91 Fed. Reg. at 37852, 37858.

[14] 91 Fed. Reg. at 37852. 37860-37862.

F. Revise the Collateral Requirement for Eligible Loan Purchases (§ 1283.7(a)(1))

Proposed § 1283.7(a)(1) provides that eligible loan purchases "must be secured by dwelling units." While this approach may be appropriate in many contexts, it may inadvertently exclude financing arrangements that appear to be eligible under other provisions of the Proposed Rule.

In particular, multifamily financing of MHCs typically takes the form of loans secured by the land, infrastructure, and pad leases, and does not include the manufactured housing units owned by tenants. As drafted, the "secured by dwelling units" criterion could create ambiguity as to whether these transactions qualify, despite the proposal's inclusive treatment of MHC blanket loans elsewhere in the rule. A similar issue may arise for certain construction-related financing structures where the collateral does not initially include completed dwelling units—for example, "single-close" single-family construction-to-permanent loans in the construction phase, which appear to qualify as eligible loan purchases under proposed § 1283.7(a)(2)(vii).

To address this concern, FHFA may wish to adopt a more flexible formulation for eligible loan purchases. We suggest replacing the requirement that a loan be "secured by dwelling units" with a standard tied to whether the loan is eligible for purchase under the applicable Enterprise Charter Act.

G. Reflect Existing Treatment of Investment Properties (§ 1283.7(a)(2))

Proposed § 1283.7(a)(2)(i) carries forward language excluding loans financing "secondary residences," but does not expressly address the treatment of loans financing investment properties. While it has long been understood that such loans are also ineligible for Duty to Serve credit, FHFA should consider making that treatment explicit to promote clarity for lenders and other market participants. For example, FHFA could revise § 1283.7(a)(2)(i) to refer to loans financing "secondary residences *or investment properties*," or provide equivalent clarification in the preamble to the final rule.

H. Remove Duplicative Reporting Requirements

Proposed § 1283.5(b) establishes annual and quarterly reporting requirements that largely replace those currently contained in § 1282.66. While the Proposed Rule expressly removes § 1282.66(d),[15] FHFA should remove § 1282.66 in its entirety to avoid duplication and potential confusion with the new reporting requirements in part 1283.

I. Add Conforming Amendment for Shared Equity Cross-Reference

The Proposed Rule does not include the current shared equity standards codified at 12 C.F.R. § 1282.34(d)(4). Because this provision is incorporated into FHFA's private transfer fee covenant rule,[16] a conforming amendment may be necessary.

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[15] 91 Fed. Reg. at 37868.

[16] 12 C.F.R. § 1228.1 (definition of "excepted transfer fee covenant").

III. Comments Specifically Requested

Fannie Mae offers the following responses to the questions listed in the proposal.

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

The proposed definition of "affordable housing preservation market" could unintentionally exclude important preservation activities. As drafted, it focuses on maintaining existing affordability restrictions or supporting sustainable affordability mechanisms, but does not clearly encompass the rehabilitation of existing housing stock or activities that create new affordability restrictions, such as shared equity structures and certain multifamily transactions that establish long-term affordability covenants at the time of financing. Accordingly, we suggest revising the definition as follows:

> "Affordable housing preservation market means the market for residential properties that provide housing to very low-, low-, and moderate-income families by renovating existing affordable housing stock, creating or preserving ~~existing~~ affordability restrictions, or supporting sustainable affordability mechanisms."

With respect to the definition of "manufactured housing market," FHFA may wish to clarify that it includes both real property and personal property (chattel) lending. Incorporating a reference consistent with 12 U.S.C. § 4565(d)(3), which expressly authorizes FHFA "to consider loans secured by both real and personal property" in evaluating compliance, would align the definition with the statute and support ongoing efforts to develop responsible chattel financing options.

Question 2. Should FHFA consider adding other US territories or areas to the proposed *high-needs rural regions* definition? If so, what areas should FHFA add, and how do those areas qualify as *high-needs rural regions*?

"High-needs rural region" is defined in the existing regulation to serve a specific function tied to prescribed Regulatory Activities. With the removal of the Activities framework, this definition, like other related definitions discussed in the preamble, no longer appears necessary.[17] In the Proposed Rule, the term is uniquely used within the definition of "rural area," where it does not independently affect scope but instead serves only to highlight a subset of the rural market. If FHFA intends to retain the definition, the rule should clearly state the purpose it is intended to serve, including whether the Enterprises are expected to include activities in high-needs rural regions in their Plans and whether performance in that segment will be separately evaluated. Otherwise, we suggest removing the definition in the final rule.

[17] *See* 91 Fed. Reg. at 37853 (noting that "there is no need for a definition of 'high-needs rural population'" if the related Regulatory Activity is removed).

Question 3. Are there terms proposed to be defined in the existing regulation that are commonly understood such that no definition of the term is necessary?

Several of the proposed terms may not require separate regulatory definition:

- *High-needs rural region.* As discussed above, a separate definition seems unnecessary in the revised framework.

- *Lender.* This term is widely understood in the marketplace.

- *Low-income*, *moderate-income*, and *very low-income*. These terms are defined in the Safety and Soundness Act and are therefore incorporated by reference through proposed § 1283.2(a).

- *Underserved market.* The meaning is clear from the statute and the structure of the rule.

Question 4. Should FHFA change the definition of *manufactured home* to acknowledge the increasing importance to the manufactured housing market of other types of factory-built homes beyond HUD-code manufactured homes (such as modular homes)?

Yes, the definition of "manufactured home" should be broadened to better reflect the full range of non-site-built homes serving very low-, low-, and moderate-income households. This could include modular homes, panelized homes, and other factory-built housing subject to state or local building codes, as well as emerging construction methods such as 3D-printing and other technology-enabled building techniques. Broadening the definition would support a wider set of financing opportunities that advance Duty to Serve objectives and align with FHFA's goal of encouraging innovation. Furthermore, we urge FHFA to coordinate with the Department of Housing and Urban Development to promote consistency between the agencies' definitions of "manufactured home" and related terms.

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

Additional required tables do not appear necessary.

Question 6. Should an Enterprise be allowed to request that FHFA permit it to modify its Plan based on a change in market conditions or other events or circumstances? Should FHFA be allowed to initiate a request that an Enterprise modify its Plan based on a change in market conditions or other events or circumstances? Under what circumstances?

We understand FHFA's rationale for limiting Plan modifications in light of the proposed shift to a more flexible, outcome-based evaluation framework.[18] If FHFA evaluates performance based on an Enterprise's overall impact on underserved markets, taking into account market conditions and actions not specifically identified in the Plan, there should be less need for routine modifications to address changing circumstances. As discussed above, however, the final rule should clearly reflect this approach by providing that all Enterprise actions—whether or not identified in the Plan—may be considered in the evaluation process. We also believe the Enterprises should be permitted to update loan purchase targets for future Plan years, as discussed below.

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[18] *See* 91 Fed. Reg. at 37860.

To the extent the final rule limits Enterprise-initiated modifications, a similar approach to FHFA-initiated modifications would promote stability and predictability in Plan implementation.

Question 7. Does the proposed timing for public feedback provide sufficient opportunity for the public to review the proposed Plans and submit comments, and for the Enterprises to incorporate such feedback into their Plans? If not, what should be the proposed timing for public feedback?

As discussed above, the approximately 30-day period contemplated for evaluating public and FHFA feedback and revising Plans may be insufficient. We therefore recommend extending this period to no less than 60 days to allow adequate time to consider feedback, make appropriate revisions, and complete internal governance and approval processes.

Question 8. Should the Enterprises be allowed to annually update loan purchase targets for future Plan years prior to that Plan year commencing? If yes, should these objects be subject to the modification review procedures and/or require FHFA non-objection?

Yes. Because loan purchase targets are established years in advance, some degree of flexibility is important to ensure they remain realistic in light of evolving market conditions and consistent with safety and soundness. Allowing limited fourth-quarter updates to future-year targets would provide a practical mechanism for recalibration based on prevailing conditions and feasibility considerations while preserving the credibility of forward-looking targets. Such updates should be addressed through ongoing monitoring discussions and should not be subject to a formal review process or FHFA non-objection.

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?

Yes, the Enterprises should be permitted to invest in New Markets Tax Credits ("NMTCs"). FHFA's proposal to expand eligibility for LIHTC equity investments across all underserved markets appropriately recognizes the role of such investments in supporting affordable housing, and NMTC investments serve a complementary function.

Like LIHTC, the NMTC program relies on private equity investment to finance projects that would not otherwise attract sufficient capital. NMTC financing supports a broad range of community and economic development activities—including mixed-use projects, community facilities, and infrastructure—that contribute to the economic vitality of underserved communities and, by promoting job growth and investment, increase demand for and support the long-term sustainability of residential housing in those markets.

To be effective, Enterprise participation in the NMTC market should not be constrained by requirements that limit investments to projects with a direct nexus to a specific Duty to Serve market segment. Appropriate flexibility would better reflect the design of the NMTC program and facilitate effective capital deployment in support of Duty to Serve objectives. In addition, ongoing reporting and assessment requirements for LIHTC and NMTC equity investments should be streamlined to reduce administrative burden and help ensure that Enterprise resources are focused on meeting the needs of underserved markets.

Question 10. Should any of the eligibility requirements for loan purchases (proposed § 1283.7(a)(2)) apply to any other evaluation area?

No. The eligibility restrictions in proposed § 1283.7(a)(2) are appropriately tailored to the loan purchase evaluation area. Extending them to other evaluation areas could inadvertently limit activities that support underserved markets through product development, outreach, or investments and grants, rather than through individual loan acquisitions.

Question 11. Should FHFA classify micropolitan statistical areas and metropolitan statistical areas as urban for the calculation of median incomes? What would be the costs or benefits of the change?

We are adjusting our models to assess the impact of this change and therefore are not in a position to discuss its potential costs or benefits. However, introducing a distinct treatment of micropolitan areas for Duty to Serve purposes only could create operational complexity and potential confusion, particularly if different geographic classifications are used across Enterprise mission-related programs and activities.

As discussed above, median income is used across a range of Enterprise activities and pricing features. To the extent FHFA adopts a different treatment of micropolitan areas for purposes of calculating median income under the Duty to Serve framework, it should apply a consistent approach across other Enterprise programs and activities that rely on income-based eligibility.

Question 12. Are there impacts FHFA should consider if, in the future, the Agency aligns the median income calculation of the Enterprises housing goals and other income eligibility qualifying programs to match the DTS methodology?

Yes. As discussed above, the calculation of borrower median income is used for multiple Enterprise mission-related programs and activities, with meaningful implications for eligibility and pricing. We look forward to continuing to engage with FHFA on this issue as it considers potential alignment.

Question 13. Should FHFA adopt the proposed effective date of January 1, 2028, aligned with the commencement of the 2028 to 2030 Duty to Serve Plan cycle. If not, what alternative approaches, including a potential extension of the 2025 to 2027 Plans through 2028 or other options, should the Agency consider?

We believe the effective date should be no earlier than January 1, 2028, given the importance of aligning median income calculations across programs. Applying the revised rule to the 2028-2030 Plan cycle should provide the Enterprises sufficient time for implementation and stakeholder engagement. If finalization of the rule is delayed, or additional implementation time is needed by lenders or third-party service providers, FHFA could consider a limited extension of the current Plan cycle.

Question 14. Should FHFA use the new (proposed) evaluation methodology for assessing Enterprise 2027 Duty to Serve performance? Should FHFA evaluate Enterprise 2027 Duty to Serve performance using both the methodology of the existing regulation and the new (proposed) methodology?

No, FHFA should not apply the proposed evaluation methodology to assess 2027 performance under Plans developed pursuant to the existing framework. Maintaining alignment between the planning framework and the evaluation methodology is important for consistency, predictability, and fairness.

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Fannie Mae appreciates FHFA's consideration of these comments and would welcome continued engagement on these important matters.

Sincerely,

Brandon Hamara
Co-President, Fannie Mae