July 24, 2026

Clinton Jones, General Counsel
Attention: Comments/RIN 2590-AB64
Federal Housing Finance Agency (FHFA)
400 Seventh Street, SW
Washington, D.C. 20219

Re: Enterprise Duty to Serve Underserved Markets, Notice of Proposed Rulemaking (RIN 2590-AB64).

Midwest Housing Equity Group, Inc. ("MHEG") appreciates the opportunity to comment on FHFA's notice of proposed rulemaking: Enterprise Duty to Serve Underserved Markets. While we support FHFA's goals of encouraging greater innovation and reducing unnecessary administrative burden, we write to raise two significant concerns about how the proposed rule would affect the rural housing market.

MHEG is a Nebraska nonprofit corporation formed in 1993. Our mission is to change lives for a better tomorrow by promoting the development and sustainability of quality affordable housing. We accomplish our mission primarily through the syndication of Federal LIHTC's. More specifically, we raise private sector equity capital (mostly from banks, insurance companies and the Enterprises) to invest in affordable housing developments throughout the Midwest. Since inception, we have raised over $4 billion of capital and helped create more than 30,000 safe, quality affordable rental homes in the Midwest. We have invested approximately $1.5 billion of that amount in communities of 50,000 or fewer people, helping create and preserve more than 12,000 homes in rural America. Across the entire portfolio, our average development is comprised of just 38 units and several of our investments are in 6-, 10- and 12-unit properties. We are honored to play a key role in providing affordable housing across our footprint.

The need for affordable housing continues to grow across the nation. We are committed to helping the Midwest, particularly the rural Midwest, meet its affordable housing needs. It is against that backdrop that we respectfully offer a few comments for consideration as it relates to the proposed rule.

Rural America faces massive affordable housing challenges, not least of which is attracting investment capital. While the LIHTC program is the most successful tool for the production and preservation of affordable housing, its public-private partnership model depends on raising private investment capital. Most rural communities don't need $20-$30 million transactions. It's the $2, $3, $5 and $7 million transactions that move the needle when it comes to rural investment.

We need the Enterprises' investment in rural America to increase. FHFA recently increased each Enterprise's LIHTC authority to $2 billion annually. Yet, this DTS proposal does not explicitly

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dedicate any of those additional dollars to rural markets. That is problematic, especially considering that banks, which comprise 85% of the LIHTC investor market, are generally not interested in these smaller communities because they don't have any Community Reinvestment Act (CRA) needs there. The Enterprises were allowed back into the LIHTC market to serve as a stabilizing force. Failure to dedicate adequate investment to rural investments does just the opposite – it destabilizes the rural housing market. Unlike the aforementioned bank investors, Fannie and Freddie do not need to meet CRA goals. As you know, they do, however, have Duty to Serve goals that require activity in rural areas, making them ideal investors for these developments.

First, we are concerned that the proposed rule would dilute rural-specific accountability and, in doing so, discourage or reduce the Enterprises' focus on rural transactions. The existing Duty to Serve framework evaluates and rates each Enterprise's performance separately in each underserved market and requires a dedicated plan for rural housing. That market-by-market structure is essential because it compels sustained attention to rural America, which is often the hardest market to serve, and the one private capital reaches last.

By replacing this framework with one that relies more heavily on Enterprise discretion, the proposed rule risks eliminating the very accountability mechanisms that keep rural transactions on the Enterprises' agenda. This concern is especially acute with respect to LIHTC equity investments. While the proposed rule would retain rural housing as a Duty to Serve category, expanding Duty to Serve credit for LIHTC equity investments beyond rural areas to all underserved markets could dilute the incentive for the Enterprises to invest in rural LIHTC properties specifically. As mentioned, unlike bank investors, Fannie Mae and Freddie Mac have no CRA obligation drawing them to small rural communities; their Duty to Serve obligation is the principal reason they invest in these markets at all.

If rural-specific requirements and market-level ratings are weakened, we expect rural investment to be the first to fall, not because the need has lessened, but because the rule would no longer require comparable, enforceable attention to rural outcomes. We therefore urge FHFA to preserve enforceable, rural-specific performance expectations in the final rule, including a distinct rural evaluation and rating, and to ensure that any expanded Duty to Serve credit for LIHTC equity investments does not undermine the Enterprises' incentives to serve rural LIHTC properties. Simply preserving rural housing as a Duty to Serve category is not sufficient if the credit structure allows the Enterprises to satisfy their obligations through easier-to-execute investments in non-rural underserved markets.

Second, while we understand and appreciate the goal of broadening eligible activities and giving the Enterprises greater flexibility, we are concerned that removing specific qualifying activities, such as LIHTC equity investment, will have a negative impact on rural affordable housing. LIHTC is the most successful tool for producing and preserving affordable housing, and its public-private model depends on attracting private equity. Rural LIHTC properties serve seniors, people with disabilities, veterans, agricultural workers, health care workers, school employees and other essential members of local communities. In many small towns, one LIHTC property may constitute a significant share of the town's affordable rental housing. Unlike larger metro markets, rural areas often lack CRA motivated investment, major philanthropic capital and robust local funding. For that reason, the Enterprises' LIHTC equity investments are especially important to fill that gap, and counting those investments as a recognized Duty to Serve activity is a direct driver of that capital. If the new rule no longer clearly identifies LIHTC equity investment, and comparable rural-serving activities, as qualifying, the Enterprises will have far less incentive to make them, and the equity reaching rural developments will shrink. Flexibility that removes the specific activities most responsible for rural investment does not broaden the Enterprises' impact, it narrows it. We urge FHFA to retain LIHTC equity investment as an expressly qualifying Duty to Serve activity in the final rule.

On occasion, the Enterprises point to "unique risks" in rural markets. Our 33-year history demonstrates this is a red herring. Of the $4 billion we've raised and invested over those 33 years; we've had zero foreclosures and no recapture of tax credits. Target returns have been consistently met and exceeded. It is more accurate to say that rural markets present unique opportunities, not unique risks. Stated otherwise, FHFA requiring more investment in rural markets does not negatively impact the safety and soundness of the Enterprises. We posit that it improves their safety and soundness.

We want to thank Fannie Mae for its strong commitment to the rural Midwest since 2018. They are true partners and have made a big impact! We need that to continue and even increase. Our communities also need Freddie Mac actively participating in multi-investor or proprietary LIHTC Funds that serve rural America at a greater capacity, not less. Without FHFA ensuring a stronger investment obligation for LIHTC rural investments, affordable housing development and preservation in rural America will suffer. More specifically for the Midwest (the geographic area that we serve), it means that capital available for our rural communities in Nebraska, Kansas, Iowa, Oklahoma, Missouri, South Dakota, Arkansas, North Dakota, Montana, Wyoming and northern Texas will further decrease.

Based on FHFA's strong commitment to addressing affordable and rural housing supply challenges, we hope you will demand a more vigorous commitment to LIHTC rural investments in the final rule, especially considering the increase in LIHTC authority to $2 billion each. Otherwise, rural affordable housing production will continue to struggle and be left behind. The impact is already being felt. If it continues, the small-town affordable housing crisis in rural areas will get even worse than it is today.

Thank you again for the opportunity to comment on the proposed rule. We hope our Midwest and rural perspective is helpful. As you consider our comments, please let me know if I can provide additional information.

Kindest regards,

John Wiechmann
President/CEO