Housing Finance & Regulatory Affairs
Jessica R. Lynch
Vice President, Housing Finance

July 24, 2026

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

Re: Enterprise Duty to Serve Underserved Markets Amendments Proposed Rule

Submitted via Electronic Delivery to: www.fhfa.gov/regulation/federal-register

Dear Mr. Jones :

Thank you for the opportunity to comment on the Notices of Proposed Rulemaking regarding Enterprise Duty to Serve Underserved Markets Amendments Proposed Rule.

NAHB is a Washington DC-based trade association representing more than 140,000 members involved in the development and construction of for-sale single-family homes, including homes for first-time and low- and moderate-income home buyers, as well as the construction, ownership and management of multifamily rental housing, including affordable rental housing. NAHB and its members have a strong interest in supporting a housing finance and banking system that offers home builders and home buyers access to affordable financing in all geographic areas and economic conditions.

The Duty to Serve Underserved Markets as mandated by the *Housing and Economic Recovery Act (HERA) of 2008*, calls for Fannie Mae and Freddie Mac (collectively, the Enterprises) to facilitate a secondary market for mortgages serving manufactured housing, affordable housing preservation, and rural markets. The Federal Housing Finance Agency (FHFA) proposes to rescind its regulation on Duty to Serve Underserved Markets from 2016 and replace it with a new rule. FHFA aims in the proposal to allow the Enterprises to better serve the needs of very low-, low-, and moderate-income families in the manufactured housing, affordable housing preservation, and rural housing markets through greater innovation and with less administrative burden.

A well-functioning housing finance system is essential to expanding housing supply, improving affordability, and supporting economic growth. To meet the diverse housing and credit needs of communities nationwide, the system must provide reliable access to capital across market cycles and allow for flexible, targeted approaches that support affordable housing development and preservation. The Duty to Serve regulations can play an important role in advancing these goals by encouraging the Enterprises to support underserved markets in a safe, sound, and practical manner.

Background

The *Housing and Economic Recovery Act of 2008 (*HERA) amended the *Federal Housing Enterprises Financial Safety and Soundness Act of 1992* to establish a duty for the Enterprises to serve certain underserved markets. The statute requires the Enterprises to serve three specified underserved markets- manufactured housing, affordable housing preservation, and rural housing - in a safe and sound manner by increasing liquidity for mortgage investments and improving the distribution of investment capital available for residential financing for very low-, low-, and moderate-income families in those markets.

In 2016, FHFA issued a final rule implementing the Duty to Serve provisions mandated by HERA and further defined the underserved markets as manufactured homes titled as real property; blanket loans for certain categories of manufactured housing communities; affordable rental housing preservation and affordable homeownership preservation; and residential housing on properties in rural areas. FHFA additionally specified activities eligible for Duty to Serve credit and established a method for evaluating and rating each Enterprise's compliance with the various components

The Duty to Serve regulation requires the Enterprises to create plans that detail the specific objectives and activities they will implement to fulfill the Duty to Serve mandate. These three-year plans went into effect on January 1, 2018.

In the 2016 final rule, FHFA established three categories of activities in which the Enterprises must engage or consider engaging: statutory activities (affordable housing programs specifically listed in HERA), regulatory activities (activities that FHFA designates as "regulatory activities" in the proposed rule), and additional activities (other activities proposed by the Enterprises that FHFA agrees are eligible for Duty to Serve credit).

Before the 2016 final rule, the Enterprises participated in many of the included activities but the final Duty to Serve rule was intended to incent the Enterprises to expand activities in the three underserved markets to ensure the benefits of a liquid secondary market will flow to very low-, low- and moderate-income homeowners and renters on a consistent basis through economic cycles.

Proposed Rule

The Enterprises have nearly a decade of experience developing and implementing Duty to Serve plans. Drawing on that experience, FHFA proposes to rescind the current rule and replace it with a new framework intended to give the Enterprises greater flexibility to serve very low-, low-, and moderate-income families in underserved markets, while encouraging innovation and reducing administrative burden.

The proposal would continue to require each Enterprise to prepare a three-year Duty to Serve Plan (Plan), currently called Underserved Markets Plan, identifying the actions it will undertake in each underserved market. However, FHFA proposes significant revisions to the required Plan content. Each Plan would need to include seven elements: a needs and opportunities assessment; the actions the Enterprise will take to address identified needs; measurable targets for each action; a description of how the Enterprise will satisfy the statutory program requirements; a description of public engagement activities; a list of Enterprise mortgage products that support housing for very low-, low-, and moderate-income families in each underserved market; and summary reference tables. FHFA further proposes to revise its evaluation and rating process to focus more directly on whether each Enterprise met the needs of each underserved market, rather than whether it achieved its self-identified Plan goals. Finally, FHFA proposes to incorporate into the regulation several "best practices" from the Evaluation Guidance that have become current practice and may be appropriate to codify.

FHFA proposes to eliminate prescribed activities and instead allow each Enterprise to undertake any "eligible action," defined as any action that advances the statutory Duty to Serve mandate and has not been determined by FHFA to be ineligible, either by regulation or after review. Consistent with the existing regulation, the proposed rule would continue to identify certain ineligible actions.

FHFA also proposes several changes designed to encourage innovation and reduce burden. These include removing certain "unnecessary" conditions on eligible loan purchases; revising the method for calculating median income to better address families living in areas with concentrations of low-income households; updating the affordability standard for manufactured housing communities; and reducing procedural requirements for developing and reviewing Plans.

NAHB Comments

NAHB sent FHFA a coalition letter requesting an extension of the comment deadline, which FHFA denied. Given the significance of the proposed changes, additional time would have allowed stakeholders to conduct a more thorough analysis of the proposal's potential impacts. In light of the limited 30-day comment period, NAHB offers the following comments, while noting that they do not fully address every issue raised by the proposal.

NAHB has long supported a Duty to Serve framework that provides the Enterprises with meaningful flexibility to identify and pursue activities that are best suited to their respective strengths and that can be implemented effectively within the designated underserved markets. In prior comment letters, NAHB cautioned against an overly prescriptive approach to implementing the Duty to Serve requirements and urged FHFA to recognize the value of research, development, and pilot activities, even where such efforts may not produce immediate measurable results.

NAHB therefore supports the proposal's aim to reduce administrative burden and provide the Enterprises with greater discretion to determine how best to meet the needs of very low-, low-, and moderate-income families in underserved markets. The final rule should remain aligned with the statutory purpose of the Duty to Serve mandate by assuring the Enterprises expand meaningful activities in the three underserved markets and ensuring that the benefits of a liquid secondary market are consistently available to very low-, low-, and moderate-income homeowners and renters throughout all economic cycles. Moreover, NAHB cautions the Enterprises and FHFA that "high impact" activities should not be solely determined based on "high volume" activities. Investments in small properties that support low-to-moderate income families can be extremely impactful for families and neighborhoods that desperately need workforce housing. The Enterprises already have statutory obligations that encourage them to support low- and moderate-income borrowers so efforts under Duty to Serve requirements present an opportunity to encourage the Enterprises to innovate, develop new products, and address unmet housing needs in a safe and sound manner.

Support for Multifamily Properties

The Low-Income Housing Tax Credit (LIHTC) program is a highly successful driver of new construction, preservation and rehabilitation of affordable multifamily housing. The Enterprises' participation in the LIHTC equity investment market has provided valuable capital for affordable multifamily developments to move forward. NAHB strongly supports the Enterprises' continued involvement in LIHTC equity investments and FHFA's proposed expansion of such investments beyond the current rural underserved market. The Enterprises should receive Duty to Serve credit for LIHTC equity investments in the Rural and Affordable Housing Preservation Underserved Markets.

The Enterprises' equity investments in LIHTC are absolutely essential to increase the supply of new affordable rental housing. As NAHB noted in its 2016 comments, the Enterprises should have flexibility to participate as LIHTC investors to the extent they determine such participation is appropriate, and the marketplace calls for their involvement. The Enterprises should be permitted to make investment decisions based on their market knowledge, risk-management expertise, and assessment of where their participation can most effectively support affordable housing preservation and production.

At the same time, NAHB cautions that the Enterprises must continue providing a meaningful amount of LIHTC equity investments in rural markets. This recommendation is consistent with FHFA's current requirements for the Enterprises' equity investments. Rural multifamily properties have traditionally had difficulty attracting multifamily investment capital because they are often smaller in scale, can struggle to secure local suppliers and contractors, and frequently face weaker investor demand because fewer financial institutions have Community Reinvestment Act obligations in many rural areas. That weaker demand can create larger financing gaps and threaten development feasibility. To minimize competition among worthy LIHTC projects in rural, urban and suburban areas, NAHB strongly urges FHFA to further increase the LIHTC equity investment caps for Fannie Mae and Freddie Mac. FHFA wisely doubled the 2026 equity investment caps for Fannie Mae and Freddie Mac from $1 billion each to $2 billion each. Permitting even higher investment levels is a prudent way for FHFA to address the affordable housing crisis.

The Enterprises are currently restricted to making equity investments in LIHTC properties during the 10-year credit period. NAHB requests that policymakers consider new approaches to create voluntary incentives and financial products that enable housing providers to continue serving low-income renters. FHFA correctly notes that rapidly aging properties, the onslaught of more than 500,000 LIHTC properties with expiring affordability periods between 2025 and 2038 and the high cost of capital necessary for rehabilitation are placing hundreds of thousands of affordable units at risk of market rate conversion.[1] Affordable housing providers are struggling to maintain affordability for renters as properties age, LIHTC properties stop generating credits, operating costs skyrocket and it becomes increasingly difficult to maintain the physical and financial viability of the properties without substantial rent increases.

Aging apartment properties, including federally-assisted developments, naturally occurring affordable housing and LIHTC properties in their extended use periods (which no longer generate tax credits), are in dire need of recapitalization. Equity investment in non-tax credit producing properties could greatly help preserve affordability in housing units that would otherwise be lost. The Enterprises are already the primary provider of debt to expired LIHTC and other existing affordable rental properties, so the needs of these properties should be familiar to Fannie and Freddie.

To expand the Enterprises' affordable housing preservation capability, NAHB strongly encourages FHFA and the Enterprises to consider permitting Fannie Mae and Freddie Mac to make equity investments in a broader range of multifamily properties that provide traditional economic returns in the form of cash distributions and capital appreciation. Of course, such equity investments should be consistent with the requirements for the GSEs to operate according to safety and soundness requirements. NAHB believes

[1] "Enterprise Duty to Serve Underserved Markets," Federal Register Vol. 91, No. 120, June 24, 2026 p.37851.

this approach would be consistent with the Enterprises' Duty to Serve affordable housing preservation mandate.

Other proposed reforms that NAHB supports are expanding eligibility for Duty to Serve credit for Enterprise purchases of subordinate liens on multifamily properties and permanent construction take-out loans. As the proposal notes, multifamily construction costs have increased substantially making reliable and flexible sources of capital increasingly important to the production and preservation of affordable rental housing. NAHB supports using Duty to Serve credit as an incentive for the Enterprises to support multifamily properties that are designed, underwritten, and constructed to provide affordable rental housing for very low-, low-, and moderate-income families.

Responsible Development of New Activities

The proposal acknowledges that prior efforts to encourage chattel lending through "extra credit" activities have not produced the intended results. The proposal notes that chattel lending has been identified as an "extra credit" opportunity in the Evaluation Guidance every year since the inception of the Duty to Serve program, yet the Enterprises have not purchased any chattel loans under their Duty to Serve plans. FHFA now proposes to remove perceived regulatory barriers to chattel lending and encourage the Enterprises to focus on developing the underwriting standards, risk-management protocols, and securitization infrastructure that would be necessary to expand their role in this market. FHFA also indicates that it expects the Enterprises to develop and implement robust, responsible chattel financing initiatives and will evaluate their progress in expanding liquidity, supporting sustainable credit, and enhancing consumer choice in the manufactured housing market.

NAHB in line with prior comments in 2010 and 2016, supports prohibiting the Enterprises from purchasing loans secured by manufactured homes titled as personal property. NAHB continues to believe the Enterprises should not purchase or guarantee personal property loans. Accordingly, NAHB requests that FHFA reconsider this change and urges the Enterprises to proceed cautiously and ensure that any changes in this area are supported by adequate data and strong safety-and-soundness standards.

Transparent Evaluation Framework

The proposal would revise the evaluations and ratings process by retaining component-level assessments for each underserved market, including loan product development, outreach, loan purchases, investments, and grants, while adding program requirements, program management, and any other factors identified by the FHFA Director. FHFA would continue to use a five scale rating, but would move to a numeric scale similar to safety and soundness ratings, with ratings of four or five indicating noncompliance. FHFA would then assign an overall composite rating for each underserved market based on the relevant component ratings.

NAHB has in prior comments supported rating categories to incentivize the Enterprises to focus on impact while helping them, FHFA and stakeholders identify areas for improvement. NAHB supports the continuation of a five-scale rating. At the same time, NAHB notes that the evaluation framework should remain clear, practical, and focused on measurable progress in serving underserved markets. Overly complex requirements could divert Enterprise time and resources away from developing and implementing activities, programs, and products that support underserved homeowners and renters.

Additionally, the evaluations and ratings should encourage the Enterprises to undertake research, development, and pilot activities, even where such efforts may not produce immediate measurable results.

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

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)?

Changes to the definitions of each underserved market are substantial. The long-term impact of the proposed changes are difficult to assess in the 30-days provided for public comments. However, we can offer the following comments.

First, NAHB does not support FHFA changing the definition of manufactured homes beyond the HUD-code. Expanding the manufactured housing definition could create inconsistent treatment for homes that are otherwise subject to the same building codes, financing channels, and market expectations.

NAHB agrees that expanding the scope of the rural area to include high needs rural regions as segment of the rural housing market is appropriate. This is consistent with NAHB's support of incentives for mortgage liquidity in Community Reinvestment Act (CRA) deserts that traditionally have trouble attracting capital for housing construction and recapitalization. However, FHFA should also provide the Enterprises with appropriate incentives and guardrails to ensure that this change does not result in major disinvestment in the high needs rural regions. NAHB also believes it is critical for FHFA to clarify that small rural multifamily properties (having 5 to 50 units) remain eligible for Duty to Serve credit and that FHFA expects the Enterprises to continue to support mortgage liquidity for these apartments.

FHFA proposes to define the affordable housing preservation market as "the market for preserving residential properties that provide housing to very low-, low-, and moderate-income families by preserving existing affordability restrictions and supporting sustainable affordability mechanisms." NAHB agrees that properties with affordability restrictions should remain eligible for Duty to Serve credit. Nevertheless, NAHB is concerned that the proposed definition is too restrictive. For example, the preamble states that the energy and water efficiency improvement loans offered by Fannie Mae and Freddie Mac would no longer qualify for Duty to Serve credit. These mortgage choices are entirely voluntary options for borrowers, and NAHB members have found them helpful. We encourage FHFA to reconsider this decision.

The affordable housing preservation market must continue to provide Duty to Serve credit for the existing affordable housing preservation statutory activities.[2] The definition should also be broad enough to include U.S. Department of Agriculture-Rural Housing Service loan guarantee programs, such as the Section 538 Guaranteed Rural Rental Housing Program and the U.S. Department of Housing and Urban Development-Federal Housing Administration mortgage insurance programs targeted to low-to-moderate-income families but do not include specific affordability restrictions. Duty to Serve credit for activities that support mortgage liquidity for small multifamily rental properties of 5 to 50 units should also be permitted. Such properties may include naturally occurring affordable housing that does not have affordability restrictions, but serve low-to-moderate income families.

Once again, these comments do not represent an exhaustive list of NAHB's concerns regarding the proposed definitions of underserved markets.

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?

The proposal would shorten the current review cycle, which routinely exceeds eight months, to a six-month process. Under the proposed timeline, the Enterprises would submit their Duty to Serve Plans by June 30 of the year preceding the effective date. Following its initial review, FHFA would initiate public engagement, which may include listening sessions and a 45-day public comment period. The Enterprises would then have until October 1 to evaluate and incorporate public and agency feedback into their Plans. FHFA would have approximately 45 days thereafter to issue an objection or non-objection, with the agency indicating that it intends to identify any potential grounds for objection as early as possible so the Plans can take effect on January 1. The proposal would also require each Enterprise to describe its public engagement activities, summarize significant input received, and explain how it considered and addressed substantial points raised by the public. This requirement would replace the current discretionary treatment of public input.

NAHB supports establishing clear deadlines and extending the public comment period to sixty days. Input from industry practitioners and consumers is valuable to ensuring a successful final product. Extending the comment period to at least 60 days would help ensure stakeholders have sufficient time to provide thoughtful, substantive, and constructive feedback. FHFA indicates that they will require the Enterprises to provide a reasoned response to substantial public input. This is a positive development to enhance transparency, but FHFA should ensure the process balances the importance of public input with the urgency of improving financing opportunities in underserved markets.

[2] The current statutory activities are the U.S. Department of Housing & Urban Development's Section 8 Rental Assistance Program, Section 236 Rental and Cooperative Housing Program, Section 221(d)(4), Section 202 Housing Program for Elderly Households, Section 811 Housing Program for Disabled Households, the McKinney-Vento Homeless Assistance Programs; the U.S. Department of Agriculture's Section 515 Rural Housing Programs; Federal Low-Income Housing Tax Credits; and other comparable state and local affordable housing programs.

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?

NAHB does not support permitting the Enterprises to invest in New Markets Tax Credits (NMTCs). Although the NMTC program can advance important community development objectives, it is not principally focused on housing. Given the current affordability crisis, the Enterprises should concentrate their resources and activities on their core housing finance mission.

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?

The proposed rule would also amend the calculation of borrower median income to determine eligibility for very low-, low-, and moderate-income thresholds. FHFA states that the current calculation unnecessarily restricts families targeted for assistance by the Enterprises' duty to serve actions in areas of concentrated poverty, particularly in rural areas. Under the proposal 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.

NAHB supports an updated median income calculation that helps to better capture individuals most affected by today's housing shortage. In many communities, prospective first-time buyers have stable incomes and can sustain responsible homeownership, but are unable to enter the market because the supply of attainable, entry-level homes is severely limited. By broadening eligibility in appropriate cases, FHFA can help the Enterprises support financing strategies, products, and activities that increase the production and availability of entry-level homes.

Conclusion

NAHB appreciates FHFA's efforts to modernize the Duty to Serve framework and supports the proposal's overall direction toward a more flexible, practical, and results-oriented approach. Reducing unnecessary administrative burden and allowing the Enterprises greater discretion to identify and pursue effective activities can better advance the statutory purpose of expanding liquidity and investment capital for very low-, low-, and moderate-income families in manufactured housing, affordable housing preservation, and rural markets. NAHB supports ensuring the Duty to Serve framework remains focused on meaningful housing outcomes and should remain clear, practical, and focused on measurable progress in serving underserved markets. Additionally, the evaluations and ratings should encourage the Enterprises to undertake research, development, and pilot activities, even where such efforts may not produce immediate measurable results. This is especially important as the United States faces a shortage of approximately 1.2 million homes and the Enterprises can through Duty to Serve support expanding the supply of affordable homes in underserved areas.

NAHB supports expanding LIHTC equity investment eligibility beyond rural markets, subject to the considerations described in the Support for Multifamily Housing section of this letter. NAHB strongly encourages FHFA and the Enterprises to consider permitting Fannie Mae and Freddie Mac to make equity investments in a broader range of multifamily properties that provide traditional economic returns in the form of cash distributions and capital appreciation.

NAHB urges FHFA to make some targeted modifications in the final rule including extending the public comment period for Duty to Serve Plans to sixty days. NAHB remains concerned about the potential for unintended consequences that are contrary to our shared goals of increasing the availability and affordability of housing supply if FHFA adopts the new underserved market definitions without further analysis and stakeholder feedback. NAHB also recommends that FHFA proceed cautiously with respect to manufactured housing chattel lending, maintain the definition of manufactured housing as limited to HUD-code manufactured homes, and not permit Enterprise investment in New Markets Tax Credits, which are not principally focused on housing.

Thank you for your consideration of NAHB's comments and recommendations. If you have questions, please contact Michelle Kitchen, Senior Director, Multifamily Finance, at 202.266.8352 or email mkitchen@nahb.org or Allison Karakis, Director, Financial Institutions and Capital Markets, at 202.266.8529 or email Akrakis@nahb.org.

Sincerely,

Jessica R Lynch

Jessica R. Lynch