NASLEF
The National Association of State and Local Equity Funds

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

Dear Mr. Jones:

These comments are submitted on behalf of the National Association of State and Local Equity Funds (NASLEF), an association of state and local based nonprofit organizations that raise equity capital in Low-Income Housing Tax Credit (LIHTC) properties. We appreciate the opportunity to comment on the “Enterprise Duty to Serve Underserved Markets” proposed rule.

NASLEF’s eight member funds operate in 37 states and have collectively raised more than $20 billion in equity investment, supporting the creation or rehabilitation of over 207,000 affordable homes in 4,306 developments nationwide. Through deep local expertise and partnerships, NASLEF members play a critical role in financing affordable housing and strengthening communities across the country. Throughout our history, NASLEF members have maintained a focus on bringing investment to underserved markets, including rural markets that face unique barriers to attracting capital.

As organizations working to fill gaps in rural communities not met by the mainstream financial sector, we appreciate FHFA’s recognition of the urgent need for increasing affordable housing options in rural communities in the proposed rule. We also appreciate FHFA’s decision last year to double the Government-Sponsored Enterprises’ (Enterprises) Low-Income Housing Tax Credit (LIHTC) investment caps from $1 billion to $2 billion each, as well as its announcement that half would be reserved for difficult to serve LIHTC markets and 20 percent of that half would be Duty to Serve (DTS) Rural Communities.

However, we are greatly concerned that the proposed rule will inadvertently reduce the flow of capital to rural LIHTC developments and result in fewer affordable homes being preserved and developed in rural communities. As mission-driven syndicators working to bring investments to these markets, we have seen first-hand the critical role that DTS-driven rural LIHTC investments by the Enterprises have played in filling gaps in rural areas that otherwise struggle to attract private investment. Enterprise investments also have a multiplier effect, helping attract participation from banks and other institutional investors in our funds that disproportionately support rural markets.

While we support efforts to streamline regulations, we strongly caution against the removal of minimum regulatory activities, including rural LIHTC investments. These requirements are essential to ensuring that the Enterprises invest in high-impact projects that fit the needs of the rural communities we serve. We respectfully request that FHFA revise the proposed rule to ensure that the Enterprises continue to prioritize high-impact rural LIHTC investments, including minimum dollars invested and projects supported.

A common disadvantage for rural communities seeking to create and preserve affordable housing is the lack of investor demand driven by the Community Reinvestment Act (CRA). CRA demand is a major driver of LIHTC equity investment and helps determine equity pricing. LIHTC projects in rural markets face pricing disadvantages that compound existing development challenges, including smaller scale developments, aging housing stock, limited availability of labor and materials, and difficult economic conditions. Since many rural communities fall outside of CRA banks' assessment areas, the Enterprises' LIHTC investment capital often fills market gaps that develop/preserve rural affordable housing. NASLEF members have seen first-hand the high impact of these LIHTC investments, making projects financially feasible and reducing the need for government subsidy. In general, our members consistently see an approximately $.03-05 delta in equity pricing between urban and rural markets, leading to less equity and more financing gaps in rural developments.

DTS rural requirements have been essential mechanisms for ensuring that the Enterprises help fill those market gaps left by the mainstream financial sector. Without minimum requirements through DTS, we are concerned that this gap will be left unfilled. Instead, the Enterprises may gravitate toward larger and more easily served markets, which would further compound rural communities' disadvantages. While we appreciate the need to provide the Enterprises with flexibility and efficiently allocate capital, we strongly believe that minimum rural LIHTC activity requirements are necessary to ensure that rural communities' capital needs are met, as intended by Congress in the DTS statute. Rural LIHTC investments also represent a clear win-win for the Enterprises and public policy: The Enterprises help fill a market gap while leveraging the effective and low-risk LIHTC program that enjoys broad bipartisan support.

We also appreciate the urgent need for LIHTC preservation investment. While providing eligibility for preservation may be positive for preservation efforts, this expansion cannot come at the cost of reducing rural LIHTC investments, which are comparably easier to execute than smaller-scale rural projects. Given those dynamics, maintaining minimum rural LIHTC requirements in the DTS regulatory framework will be especially important to ensure that the Enterprises do not deprioritize rural LIHTC investment.

Responses to Specific Questions

We have included our responses to select questions posed by FHFA below:

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 will ease execution for lending purposes, including 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 with an ability to invest in nearly any transaction.

As noted above, we believe that minimum requirements for rural LIHTC investments – including dollars invested and projects supported – are necessary to prevent the Enterprises from reducing rural investment while still meeting their DTS requirements. Coupled with the proposed definition for Underserved Markets, we are concerned that the Enterprises could meet DTS requirements without significant rural LIHTC investment.

To prevent the Enterprises from prioritizing their investments in large metropolitan developments that already have abundant CRA investor appetite by banks attempting to meet CRA demands, NASLEF recommends that definitions for Affordable Housing and Underserved Markets within the LIHTC framework be modified to focus on those secondary and tertiary geographic markets that have limited CRA demand, and thus investor interest, making the allocations tremendously difficult to complete.

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

NASLEF believes that accountability and transparency are essential to ensuring that the Enterprises fulfill their DTS obligations. In addition to requiring minimum rural LIHTC activities, FHFA should ensure that the Enterprises provide transparent data to Congress and the public regarding their Rural Duty to Serve LIHTC investments, including geographic areas served, dollars invested, and number of projects supported. Transparency and reference tables for this information will be critical to evaluating whether the Enterprises are filling gaps left by the mainstream financial sector, especially in rural markets without CRA-driven investment, while also avoiding geographic redundancies of competing in markets where private capital is readily available.

<u>Conclusion</u>

NASLEF members were largely established when the LIHTC was an emerging and largely unproven asset class, providing the patient capital, local market expertise, and mission-driven leadership needed to attract investment and demonstrate the viability of affordable housing as a long-term investment strategy. That same commitment to patient capital and community impact has enabled NASLEF members to support and develop other innovative financing structures, underserved markets, and new housing initiatives that might not otherwise attract additional capital. Since the Enterprises re-entered the market, NASLEF members have been valued partners and remain positioned to help the Enterprises reach rural communities. As a result, proposed changes that diminish this flexibility could impede our ability to continue serving as a catalyst for innovation and to address housing needs in markets and populations that are often overlooked by private or profit-driven competitors.

Thank you again for the opportunity to comment.

Sincerely,

Catherine A. Cawthon

Catherine Cawthon
NASLEF Board President

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