NCSHA

July 24, 2026

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

Re: Enterprise Duty To Serve Underserved Markets (RIN 2590-AB64)

Dear Mr. Jones,

On behalf of the nation's state housing finance agencies (HFAs), the National Council of State Housing Agencies (NCSHA)[1] appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) June 24, 2026, Proposed Rule amending the Enterprise Duty to Serve Underserved Markets regulations.

The Duty-to-Serve rule plays a critical role in addressing our nation's affordable housing needs by catalyzing the government sponsored enterprises (The Enterprises) Fannie Mae and Freddie Mac to support three historically underserved sectors of the housing market: rural housing, manufactured housing, and affordable housing preservation. NCSHA appreciates FHFA's efforts to modernize and streamline the Duty to Serve rule to ensure it is more efficient and effective in channeling Enterprise investment in these areas.

To this end, we strongly support FHFA's proposal to allow the Enterprises to receive Duty to Serve credit for Low-Income Housing Tax Credit (Housing Credit) investments that support all the Duty-to-Serve areas, and not just those that support rural housing. We recommend FHFA consider amending the regulations to better allow the Enterprise to utilize another critical HFA tool – Tax-Exempt Housing Bonds – to fulfill their Duty to Serve obligations.

Congress enacted the Enterprise Duty to Serve requirements to ensure that the Enterprises utilized their dominant market roles and access to liquidity to spur investments for vital housing activities that have not been adequately served by the private market. Therefore, it is crucial that any changes in the Enterprises' Duty to Serve planning, reporting, evaluation, and activities obligations maintain strong incentives for the Enterprises to explore creative new solutions to address persistent housing challenges.

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[1]NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

Extend Duty to Serve Credit for Housing Credit Investment Supporting all Duty to Serve Markets

One of the most impactful Duty to Serve initiatives is the Enterprises' investments in Housing Credits for properties located in rural areas, for which the Enterprises are eligible for Duty to Serve credit. Since the Duty to Serve rule took effect, Fannie Mae and Freddie Mac combined have made over $5 billion in Housing Credit investments to support the development and preservation of more than 130,000 affordable housing units. In many years, the overwhelming majority of these investments supported housing located in Duty to Serve eligible rural areas and/or serving high-needs rural populations.

The proposed rule would expand the types of Housing Credit investments for which the Enterprises may receive Duty to Serve Credit to include investments that finance manufactured housing and the preservation of affordable housing, as well as rural housing. NCSHA wholeheartedly agrees with this proposal.

The Housing Credit, which is administered by HFAs in all but a few states and territories, is our nation's most effective tool for financing the development of rental housing affordable to low-income Americans. By providing an incentive for private sector investment, the Housing Credit has financed more than 4 million apartments for low-income households, adding between 100,000 to 150,000 units to the inventory each year.

Allowing more Housing Credit investments to be eligible for Duty to Serve Credit is particularly crucial given the increased Housing Credit issuance that can be expected in the coming years. The One Big Beautiful Bill Act, which the president signed into law July 4, 2025, increases each state's annual allocation of 9 percent Housing Credit authority by 12 percent and reduces the bond-financing threshold for 4 percent Housing Credit deals to allow more such deals to move forward. These changes are expected to finance the development of 1.22 million additional rental units over the next ten years.[2]

Given the strong need for financing for all the Duty to Serve housing activities, and the Housing Credit's strong track record, it is simply sensible to allow the Enterprises to more actively use Housing Credit investments to meet their obligations.

Amend Eligibility Standards for Housing Bond Investments

Housing Bonds have historically served as HFAs' primary means of financing their affordable housing lending, and HFAs have utilized them to serve many of the borrowers and markets targeted for assistance under the proposed rule. Through single-family Housing Bonds, commonly known as Mortgage Revenue Bonds or MRBs, HFAs have helped over 3.6 million low and moderate-income households purchase their first homes. In a typical year, as many as 90,000 families purchase homes with MRB mortgages. HFAs have used multifamily Housing Bonds to finance over 1.5 million affordable apartments and use them to finance an additional 30,000 apartments each year.

[2] Wallace, Dirk, and Lawrence, Peter, "Senate Finance Committee Releases FY 2025 Budget Reconciliation Bill that Includes Permanent LIHTC Expansion, Novogradac Estimates 1.22 Million Additional Affordable Rental Homes over 2026-2035," Novogradac Blog, June 26, 2025.

The current Duty to Serve guidelines allow the Enterprises to receive credit for purchasing and providing credit enhancement on HFA-issued MRBs and multifamily Housing Bonds. We thank FHFA for maintaining this provision in the proposed rule. However, the eligibility standards that Housing Bond issuances must meet to be eligible for Duty to Serve credit are too narrow, making such activity unworkable.

For example, the Enterprises can only receive credit for purchases of MRBs backed entirely by mortgages made to borrowers earning 80 percent of area median income (AMI) or less, who purchase either manufactured homes or homes located in rural areas. Given that most Housing Bond issues are backed by large numbers of mortgages to low- and moderate-income borrowers purchasing various types of homes in diverse geographic areas, it is extremely difficult, if not impossible, for the GSEs to earn credit for their Housing Bond investments.

Similarly, the Enterprises may only receive Duty to Serve credit for purchases of multifamily Housing Bonds that finance rental homes devoted to families earning 80 percent of AMI or less. However, many Housing Bond-financed developments serve some residents with incomes above this limit to achieve income-mixing and other worthy goals.

NCSHA urges FHFA to adjust the Duty to Serve eligibility requirements for Housing Bond purchases and credit enhancement so that the Enterprises can better partner with HFAs to serve underserved markets.

Maintain Incentives for Enterprises to Address Critical Needs

NCSHA agrees with FHFA about the need to streamline the Duty to Serve regulations to establish more certainty, allow more Enterprise resources to be used for program activities and less compliance, and increase transparency regarding Duty to Serve plans, their evaluation, and performance reviews. We commend FHFA for attempting this ambitious undertaking.

At the same time, we are worried some proposed changes could cut against the purpose of the Duty to Serve rule. The current regulations enumerate a series of potential affordable housing activities under each of the three Duty to Serve categories (affordable housing preservation, rural housing, manufactured housing) for the Enterprises to examine and consider engaging in. For example, the manufactured housing section lists activities such as support for manufactured housing titled as real property; manufactured housing titled as chattel; manufactured housing communities owned by a government agency, nonprofits, or residents; and manufactured housing communities with certain pad lease protections.

Under affordable housing preservation, the regulations list a series of activities authorized by Congress to support housing built through the Housing Credit and other federal, state, and local housing programs. The Enterprises are required to address a minimum number of these enumerated activities in their triennial Duty to Serve plans.

FHFA proposes to strike from the regulation all mention of the enumerated activities, including those explicitly outlined by Congress, and any obligation for the Enterprises to address them in their plans. FHFA argues that this will allow the Enterprises to focus less on regulatory box-checking and more on identifying and implementing effective programs and products to best serve the rural housing, manufactured housing, and housing preservation markets.

NCSHA is sympathetic to this goal, and we certainly want to guard against a Duty to Serve system that is overly prescriptive and cuts against innovation. At the same time, one of the primary purposes of the Duty to Serve rule is to prompt the Enterprises to use their considerable market role and access to liquidity to support crucial affordable housing opportunities that have historically struggled to reliably access financing. Consequently, we ask that any Duty to Serve planning and evaluation standards maintain strong incentives for the Enterprises to continue to pursue solutions to our nation's toughest housing problems.

Thank you for your consideration. We would be happy to discuss these issues with you at your convenience.

Sincerely,

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives