

NEW GSE POLICIES AFFECTING CONDOS & HOAS

Fannie Mae and Freddie Mac (GSEs)¹ are updating project standards and property insurance requirements to improve flexibility, reduce complexity and support sustainable homeownership. This update heightens scrutiny of homeowner associations' (HOA) financial health.

SUMMARY OF UPDATES

RESERVES

- **Expanded Waiver of Project Review eligibility to projects with 10 or fewer units.**
- **Increased reserve requirements and stricter reserve studies:**
 - The reserve allocation requirement for capital expenditures and deferred maintenance will be increased from a minimum of 10 percent to a minimum of 15 percent of the annual budgeted income assessment.
 - Lenders must comply with this requirement for loan applications dated on or after **Jan. 4, 2027**.

POSSIBLE CONSEQUENCES

- Some condominium associations may need to raise dues or assessments to address underfunding.
- There may be more scrutiny of HOA financials during underwriting.
- Well-funded associations may become more marketable; underfunded ones may face financing challenges.
- End of the Limited Review option by lenders.
- More transactions will require Full Review instead of the simpler Limited Review.
- Lenders may choose to follow this policy immediately but must implement this change for all loan applications dated on or after **Aug. 3, 2026**.

WHAT MIGHT THIS MEAN?

- **Longer underwriting timelines**
- **More documentation requests from HOAs (i.e. budgets, insurance, reserves)**

SUMMARY OF UPDATES

INSURANCE CHANGES

- **While roofs must still be insured, they are retiring the requirement to insure roofs on a replacement cost basis.**
- **Projects still need 100 percent replacement cost coverage at the master policy level.**
- **Buyers are required to carry insurance on their property to address any gaps in the master policy.**
- **There will be more questions about HOA master policies, deductibles and coverage gaps.**

BUYERS MAY FACE:

- Higher HOA dues (due to reserve increases)
- Additional unit owner insurance policies
- More intense review of HOA budgets, reserve studies, and insurance details

FOR FURTHER **DETAILS** see the **FANNIE MAE LENDER LETTER MARCH 18, 2026**