

Condo Financing Is Changing

What REALTORS®, Sellers & HOAs Need to Know in 2026-2027

Fannie Mae and Freddie Mac have updated their condominium lending requirements, impacting how condo projects are reviewed for financing. Here's a summary of the key changes and what they mean for your real estate transactions.

KEY LENDING CHANGES



Limited/Streamlined Reviews Retired

For loan applications dated on or after **August 3, 2026**, Fannie Mae's Limited Review and Freddie Mac's Streamlined Review are retired. Most condo projects will require a more comprehensive project review.



Reserve Requirements Increasing

For applicable condo project reviews, the minimum replacement-reserve allocation increases from **10% to 15%** for loan applications dated on or after **January 4, 2027**.



Reserve Studies Matter More

When a reserve study is used, the project budget must generally account for the highest recommended reserve allocation in the study. The prior "baseline funding" option is no longer permitted for applicable reviews (on or after **August 3, 2026**).



Insurance Requirements Updated

New requirements address master-policy coverage deductibles, HO-6 coverage and replacement cost coverage, including provisions for master policy and unit policy insurance lenders will review that the project's insurance coverage meets the updated requirements.



Critical Repairs & Deferred Maintenance

Projects with significant deferred maintenance or critical repairs may not be eligible for conventional financing. Lenders will evaluate the project's physical condition, financial stability, litigation and other project-level risks.



Investor Ownership Rules Relaxed

Fannie Mae raised the 50% investor concentration limit for established projects reviewed through Full Review. Freddie Mac also raised the 50% owner-occupancy requirement for established projects. Other project eligibility requirements still apply, and new projects continue to have presale requirements.

SMALL PROJECT EXCEPTION



Expanded Waiver for Smaller Projects

Fannie Mae expanded its Waiver of Project Review for new and established projects with **10 or fewer units**, subject to specific conditions. Freddie Mac also expanded its exception-for-review for certain 2-4 unit projects, with additional requirements for 5-10 unit projects.



KEY DATES

August 3, 2026

Fannie Mae's Limited Review and Freddie Mac's Streamlined Review retired. Enhanced reserve study requirements apply.

January 4, 2027

Minimum replacement-reserve allocation increases from **10% to 15%** for applicable condo project reviews.

WHAT THIS MEANS FOR YOUR TRANSACTIONS



More Documentation May Be Needed

More projects may require a comprehensive review, which can mean additional information and a longer underwriting timeline.



Current Information Is Essential

HOAs should keep budgets, reserve studies, insurance documents and governing documents current and readily available.



Financing Is Not Guaranteed

A condo being marketable does not guarantee financing eligibility. Each lender must review and satisfy all applicable project requirements.



WHAT SHOULD AN HOA HAVE READY?

Before a condo goes under contract, lenders may request:

- Current HOA budget
- Most recent reserve study
- Current reserve balances
- Master insurance policy
- Insurance deductibles
- HO-6 coverage information
- Recent inspection reports
- Information regarding critical repairs or deferred maintenance
- Special assessments (current or planned)
- Pending litigation



Information current as of October 2026.

This flyer is provided for general informational purposes only and summarizes selected Fannie Mae and Freddie Mac condominium project requirements. Requirements may vary by loan program, lender and individual project. This information is subject to change and is not intended to constitute lending, legal or financial advice. Consult the applicable lender or program guidelines for current requirements.