

Condo Lending Training for Originators

A Deep Dive into Condo Lending Eligibility
to Help Turn Applications Into Closed Loans

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Orest Tomaselli is President of Project Review at **CondoTek**, a national leader in condominium data, documentation, and mortgage-lending compliance, and Founder and CEO of **Strategic Inspections**, the leading national provider of custom, lender-compliant Reserve Studies for condominium and cooperative properties. Throughout his career, Orest has focused on advancing mortgage-lending eligibility and risk mitigation for condo and co-op projects, earning a reputation as a leading authority on project approval, Reserve Study policy, and agency compliance for both established and new developments. He regularly advises industry stakeholders on lending standards set by Fannie Mae, Freddie Mac, institutional banks, and the secondary mortgage market.

Orest serves as a board member on multiple industry committees, including the **Community Associations Institute Government Affairs Committee** and **Reserve Study Best Practices Committee**, and frequently provides guidance to national property managers, lenders, legal professionals, and government organizations.

Under his leadership, Strategic Inspections has delivered more than **10,000** compliant Reserve Studies nationwide, while CondoTek performs over **1,500** monthly condo and co-op compliance reviews and maintains data on more than **110,000** properties across the United States.

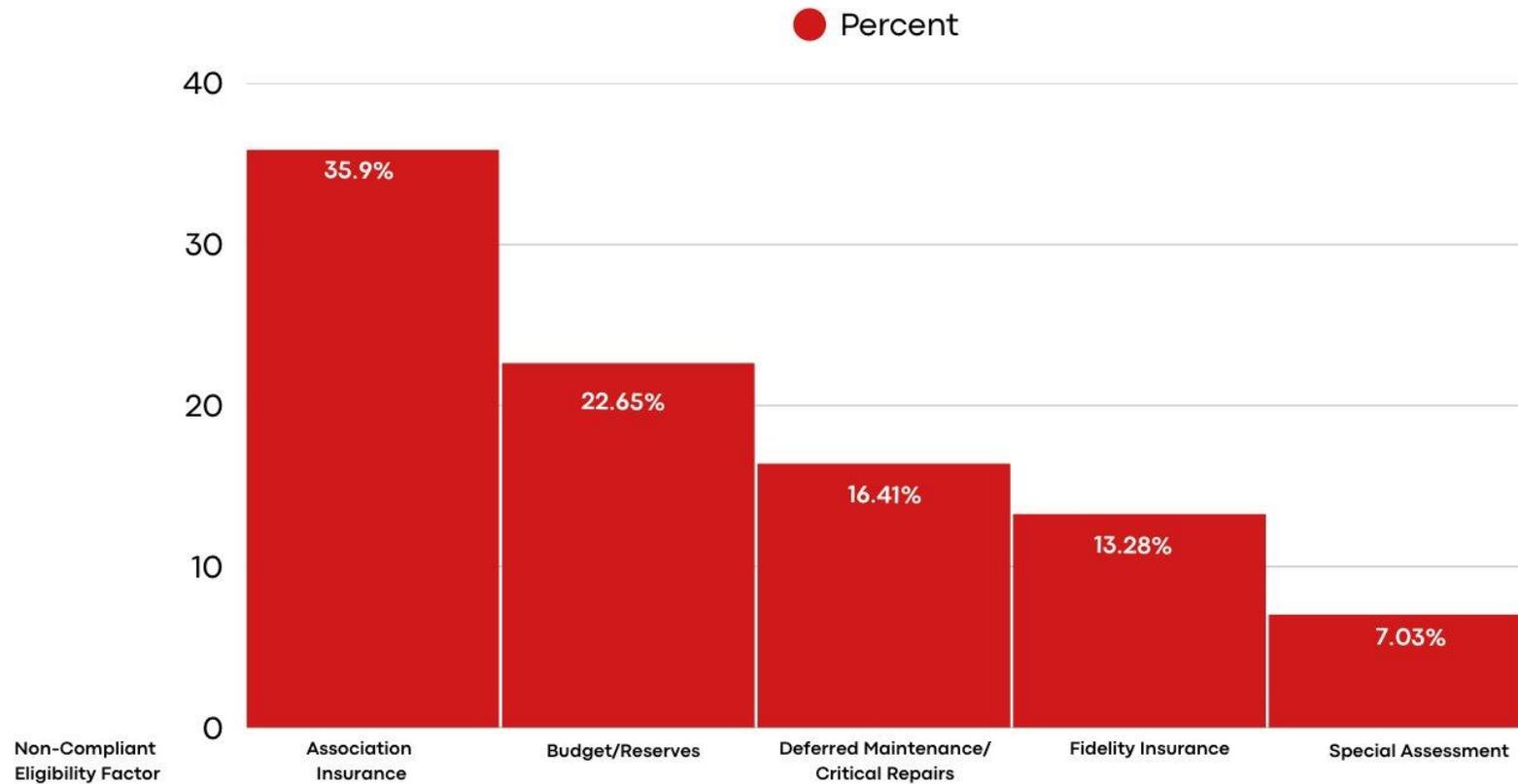
Condo Eligibility

- GSE Condominium lending guidelines require that condo associations meet age-old eligibility standards for mortgage financing to be available to borrowers. Recent guideline changes on insurance, reserve, deferred maintenance, and litigation have rendered thousands of condominium properties “unavailable for lending”.
- Fannie Mae and Freddie Mac have addressed eligibility by launching and maintaining updated condo approval designations through CPM and PAR available for review.
- Eventually originators and lenders will have greater insight into condominium lending eligibility. In the interim there are ways to mitigate risk and increase the chances of originating and closing loans in eligible condo properties.

The Data on Ineligibility



5 Most Common Reasons for Condo Mortgage Ineligibility



More than 46% of condo properties reviewed are **initially** ineligible for mortgage financing.

*Data provided as of 6/1/2025. Data based on sample review of 1000 condominium associations in multiple geographic areas across the US.

Top Reasons for Condo Ineligibility

- Association Insurance
- Budgets and Reserves
- Deferred Maintenance & Critical Repairs
- Fidelity Insurance
- Special Assessments

The Condo Questionnaire

- Completion
- Accuracy
- Analysis

The condo questionnaire has always been the starting point for an initial project review. However, association managers and board members often answer questions inaccurately or decline to respond to specific property-condition items. As a result, lenders are forced to conduct a deep dive into all available community data—reviewing violations, budgets, special assessments, and online sources—to obtain accurate eligibility information.

Association Insurance

Condominium association insurance costs have risen sharply over the past 36 months. In response, boards and managers have been forced to reduce expenses wherever possible, which has in turn increased the risk that policies are inadequate and/or non-compliant.

- 100% Replacement Cost
- Ordinance or Law Coverage
- Inflation Guard
- 5% Maximum Deductible

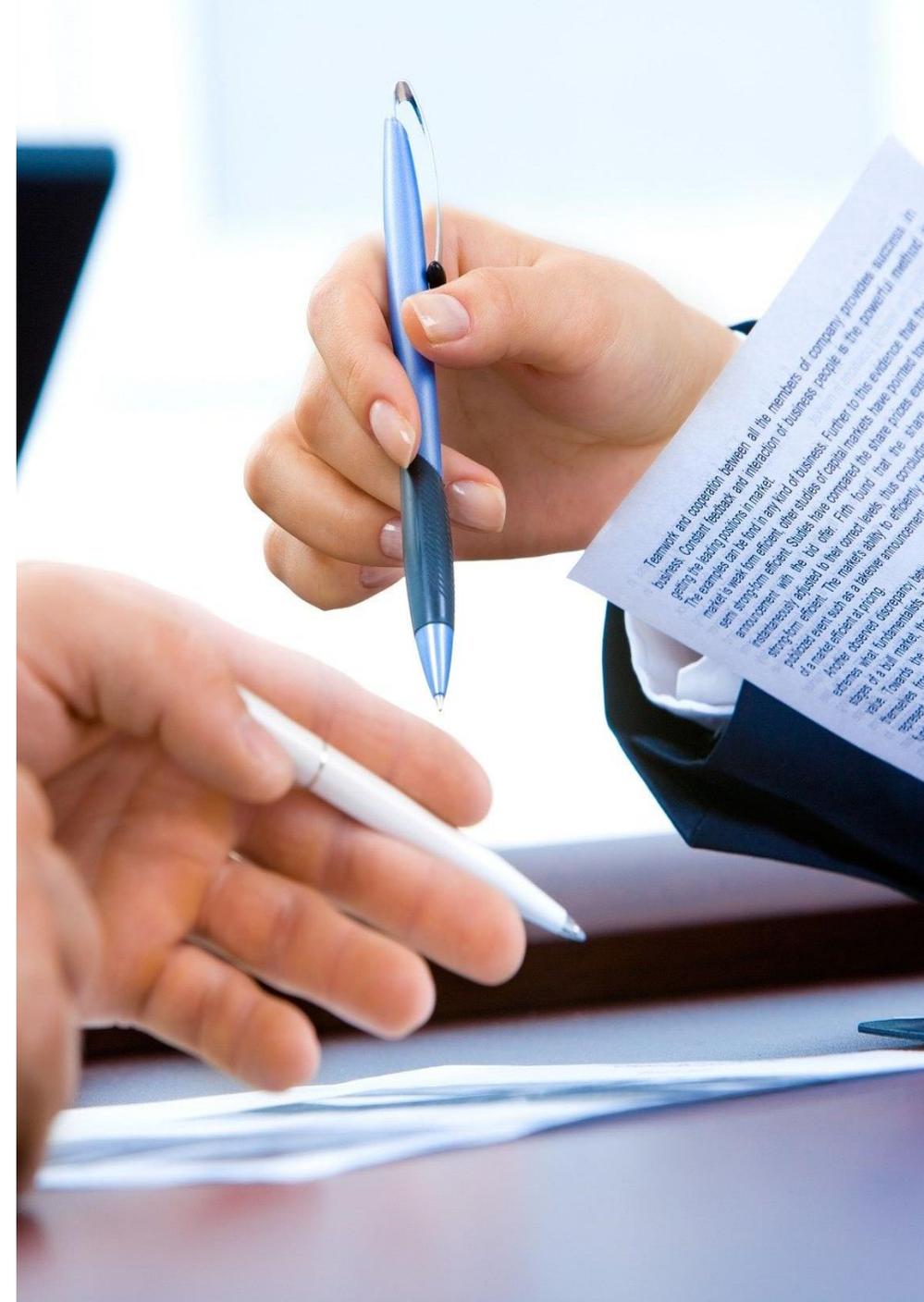
Critical Repairs & Deferred Maintenance

Components in condominium properties that affect the health and safety of residential unit owners must be repaired or replaced before mortgage financing will be available for that condominium.

- Repairs/Replacements to be Complete
- Proof of Completion Required
- Capital to Complete Repairs
- Cannot Result in Special Assessment
- Special Assessments must be Paid Off

Litigation

- There are many different types of litigation that can affect a condominium community. Some matters are relatively routine (such as slip-and-fall cases), others are more disruptive (like fire or flood claims), and some - particularly construction-defect litigation - are often nearly impossible to clear for financing until fully resolved.
- Must be Covered by insurance
- Must State the Amount of Litigation
- Financial Test to Determine Impact to Association



Capital Reserves

Condominium reserves are currently required to be collected annually in an amount equal to at least 10% of the operating budget. The objective is not only to ensure consistent annual funding, but also to build a dedicated capital reserve account that can cover future major repairs and replacements of common components without the need for special assessments.

- 10% Reserve Requirement
- Reviewed under Full Review
- Amassing Capital Reserves for Future Financial Health

Reserve Studies and Engineering Reports

Reserve studies and engineering reports have become increasingly common tools for documenting a condominium association's component condition, health and safety status, and long-term capital needs.

- Reserve Studies Valid for 36 Months
- Condo Associations Must Follow the Highest Reserve Plan
- Engineering Reports Utilized for Component Condition Analysis

Property Managers, Board Members and RealEstate Salespeople

With the advent of the “unavailable for lending” designation, managers, boards, and agents are beginning to recognize the critical importance of lending compliance. Ongoing education is essential.

- Inform Managers and Board Members
- Align Agents With Lending Requirements
- Solve Both the Immediate and Long-term Issue

Plan to Win

The only way to protect mortgage eligibility is to thoroughly vet properties, proactively inform associations about compliance requirements, or avoid high-risk condominium communities altogether. Whichever path you choose, the ability to gather relevant data and make a clear eligibility determination is critical to origination success.

- Research
- Connectivity
- Resources

Resources - Fannie Mae

Full Review: <https://selling-guide.fanniemae.com/sel/b4-2.2-02/full-review-process>

Additional Full Review needs for New Construction: <https://selling-guide.fanniemae.com/sel/b4-2.2-03/full-review-additional-eligibility-requirements-units-new-and-newly-converted-condo-projects>

Ineligible Projects: <https://selling-guide.fanniemae.com/sel/b4-2.1-03/ineligible-projects>

Leaseholds: <https://selling-guide.fanniemae.com/sel/b2-3-03/special-property-eligibility-and-underwriting-considerations-leasehold-estates#P1496>

Leasehold appraisals: <https://selling-guide.fanniemae.com/sel/b4-1.4-05/leasehold-interests-appraisal-requirements>

PERS: <https://selling-guide.fanniemae.com/sel/b4-2.2-06/project-eligibility-review-service-pers>

Insurance/Property: <https://selling-guide.fanniemae.com/sel/b7-3-03/master-property-insurance-requirements-project-developments>

Insurance/Liability: <https://selling-guide.fanniemae.com/sel/b7-4-01/general-liability-insurance-requirements-project-developments>

Insurance/Fidelity: <https://selling-guide.fanniemae.com/sel/b7-4-02/fidelity-crime-insurance-requirements-project-developments>

Insurance/Flood: <https://selling-guide.fanniemae.com/sel/b7-3-06/flood-insurance-requirements-all-property-types>

Resources - Freddie Mac

New Condominium Projects: <https://guide.freddie.mac.com/app/guide/section/5701.6>

Ineligible Projects: <https://guide.freddie.mac.com/app/guide/section/5701.3/highlight/condo%20critical%20repairs>

Leaseholds: <https://guide.freddie.mac.com/app/guide/section/5701.2/highlight/condo%20leasehold>

Leasehold appraisals: <https://guide.freddie.mac.com/app/guide/section/5704.2/highlight/condo%20leasehold>

Reciprocal

Reviews: <https://guide.freddie.mac.com/app/guide/section/5701.9/highlight/condo%20reciprocal%20review>

Insurance/Property

1: <https://guide.freddie.mac.com/app/guide/section/4703.2/highlight/condo%20property%20insurance>

Insurance/Property

2: <https://guide.freddie.mac.com/app/guide/section/8202.1/highlight/condo%20property%20insurance>

Insurance/Liability: <https://guide.freddie.mac.com/app/guide/section/4703.4/highlight/liability%20condo%20insurance>

Insurance/Fidelity: <https://guide.freddie.mac.com/app/guide/section/4703.5/highlight/condo%20master%20policy>

Insurance/Flood: <https://guide.freddie.mac.com/app/guide/section/4703.3/highlight/condo%20flood%20insurance>

Disclaimer

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