



New Condo Lending Guidelines

For Fannie Mae & Freddie Mac



AGENDA



What we'll be covering

- **New Condo and Co-op Project Standards**
- **Regulatory Changes Impact on Mortgage Eligibility**
- **Guidance on Becoming and Staying Compliant**
- **The Reasoning for Condo Guideline Change: GSE Perspectives**
- **Lender Preparation and Strategy**
- **Condo Association Education and Alignment**

About Your Presenter

- CondoTek
 - National leader in condominium data, documentation & mortgage-lending compliance
- Orest Tomaselli
 - President Project Review at CondoTek
 - CEO of Strategic Inspections
 - **Leading authority** on project approval, reserve study policy & agency compliance. Advises industry stakeholders on lending standards set by Fannie Mae, Freddie Mac & banks
 - Has helped deliver **over 10,000 compliant review studies** nationwide, performs **over 1,500 monthly condo & co-op compliance reviews** across over **110,000 properties**



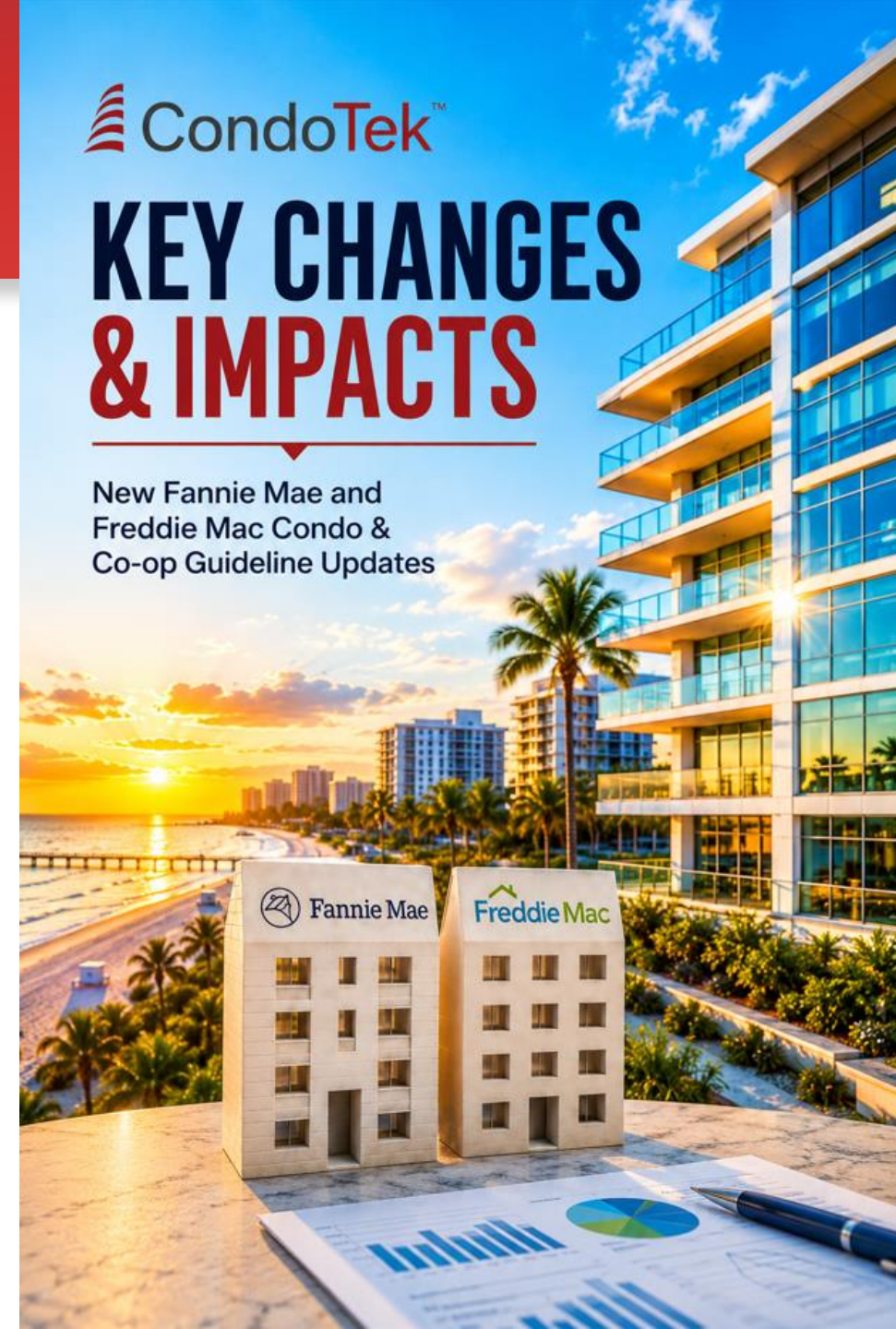
Key Changes & Impacts

- Fannie Mae and Freddie Mac Condo & Co-op Guideline Updates
 - On March 18, 2026, Fannie Mae and Freddie Mac announced new lending guidelines for condominium properties.
 - These updates will be implemented according to the attached schedule, with many changes taking effect immediately.
 - **Key Changes**
 - Expanded eligibility for association insurance coverage
 - Revised investor ownership thresholds
 - Introduction of a waiver of review for eligible condo projects with fewer than 10 units
 - Elimination of mandatory PERS review for new condominium projects in Florida



KEY CHANGES & IMPACTS

New Fannie Mae and
Freddie Mac Condo &
Co-op Guideline Updates



Key Changes & Impacts

UNDERWRITING IMPACT

The infographic illustrates the change in the underwriting process. On the left, a document icon with a red 'X' is labeled 'LIMITED REVIEW REMOVED'. An arrow points to a document icon with a blue checkmark, labeled 'FULL REVIEW REQUIRED'. In the background, a laptop screen displays 'CONDO LOAN UNDERWRITING FULL REVIEW PROCESS' with a checklist: Legal Review, Financial Review, Budget Review, Reserve Study Review, and Insurance Review. Below the laptop, a stack of blue folders is labeled 'UNDERWRITING DOCUMENTATION'. At the bottom left, a clock icon is labeled 'LONGER UNDERWRITING TIMELINES'. At the bottom right, a warning icon is labeled 'IMPACT ON PROJECT ELIGIBILITY DUE TO BUDGET REVIEWS'.

UPCOMING FINANCIAL REQUIREMENTS

The infographic shows the increase in required reserves. A grey block labeled '10% CURRENT REQUIREMENT' is being replaced by a taller blue block labeled '15% REQUIRED RESERVES'. A calendar in the foreground is marked 'EFFECTIVE JANUARY 4, 2027'. Below the blocks are three icons: a calculator for 'ADJUST ANNUAL BUDGETS', a shield with a dollar sign for 'INCREASED RESERVE LEVELS', and a building with a dollar sign for 'HIGHEST RECOMMENDED FUNDING PLAN'.

- Underwriting Impact
 - Removal of the “Limited Review” process
 - Mandatory “Full Review” for all condo loan underwriting
 - Expected increase in underwriting timelines
 - Potential impact on project eligibility due to required budget reviews
- Upcoming Financial Requirements
 - Increase in required budgeted reserves from 10% to 15% of operating budgets, **effective January 4, 2027**
 - Condominium associations will need to adjust annual budgets accordingly
 - Reserve Study funding requirements now mandate use of the highest recommended funding plan provided by the Reserve Study professional

Full Review Required for All Condo Loans

- Elimination of Limited Review Underwriting
 - The Limited Review underwriting process for condominium loans will expire on **August 3, 2026**
 - All condo loans will be required to undergo **Fannie Mae Full Review underwriting**
 - Currently, approximately 65% of condo loans are processed using Limited Review
- Impact of Limited Review Removal
 - Permitted Limited Review previously loan approvals **without evaluating the association's operating budget**
 - As a result, loans were approved in properties that may have had
 - Insufficient reserves (**below the 10% threshold**)
 - Non-compliant special assessments (**Identified through the budget review process**)
 - Unaddressed critical repairs or deferred maintenance issues (**Identified through the budget review process**)
- Key Change Under Full Review
 - **Operating budgets will be fully analyzed**, including reserve funding and financial stability

Full Review Required for All Condo Loans



LIMITED REVIEW ENDS



TODAY'S CONDO LOANS IMPACTED



DEEPER REVIEW.
STRONGER COMMUNITIES.
LOWER RISK.



STRONGER RISK MANAGEMENT



HEALTHIER COMMUNITIES



FINANCIAL STABILITY



PROTECTING BORROWERS & INVESTORS

Reserve Increase from 10% to 15%



STRONGER RESERVES

EFFECTIVE JANUARY 4, 2027

- **Effective January 4, 2027**
 - Condominium associations will be required to maintain a **minimum 15% reserve allocation** within their annual operating budgets.
 - **Reserve Studies may be utilized to establish a more precise and defensible funding requirement**, ensuring compliance while aligning contributions with actual property needs
- **Impact of Increased Reserve Requirements**
 - Higher capital reserve requirements will lead to **increased monthly maintenance costs** for unit owners
 - Condo associations operating on **mid-year budget cycles** will need to **revise budgets in advance of the new guidelines**
 - Association management **advising condo boards** of required funding increases
 - Luxury condo properties, normally minimally impacted from agency lending compliance requirements, are aligning operational documents, insurance policies, and reserves with agency requirements to ensure jumbo and portfolio mortgage lending availability
 - Increase in non-warrantable condo lending expected as compliance is likely to take time to implement



HIGHER
RESERVES



MORE PRECISE
FUNDING



HIGHER RESERVE
REQUIREMENTS



BUDGET
PLANNING

Reserve Studies Funding Plan Method & General Acceptance

- **Reserve Studies – Agency Considerations**
 - Generally accepted by Fannie Mae and Freddie Mac
 - Valid for up to 36 months
 - 30-year funding plans are preferred
 - Associations must utilize the **most conservative (highest) funding recommendation** outlined in the study
 - Baseline funding plans are not acceptable
- **Lender & Compliance Value of Reserve Studies**
 - Professionally prepared Reserve Studies strengthen lender review and approval outcomes
 - Recent on-site inspections provide critical insight into component condition and capital needs
 - Well-funded associations can demonstrate compliance—even when **recommended contributions are below the 15% threshold**—if supported by a credible Reserve Study
- **Eligibility Update**
 - 15% Reserve Funding or a Reserve Study
 - GSE's Will Accept The Lesser of the 2

**RESERVE STUDIES
FUNDING PLAN &
GENERAL ACCEPTANCE**

UP TO
36
MONTHS

RESERVE STUDY

BASELINE
NOT
ACCEPTABLE

PREFERRED
30-YEAR
FUNDING
PLAN

REQUIRED
MOST
CONSERVATIVE
(HIGHEST)
FUNDING
RECOMMENDATION

AGENCY CONSIDERATIONS
Valid up to 36 months

LENDER & COMPLIANCE VALUE

ELIGIBILITY UPDATE

Condo and Co-op Insurance Requirements

Subject Matter	Prior Review Standard	New Standard for Review
Coverage Limit Sufficiency	Required specific documentation (insurance appraisals, replacement cost estimates, or insurer assurances statements)	Lender may now additionally rely on GRC, and ERC to meet this requirement in addition to the other documentation. (See Bulletin or Lender Letter for specific equipment breakdown terms) <u>Effective Date</u> : Immediate
Inflation Guard	Required if available for purchase / applicable	Inflation guard no longer required <u>Effective Date</u> : Immediate
Actual Cash Value	All property elements must be insured on a replacement cost loss settlement basis	Roofs must be insured, but actual cash value loss settlement for roofs, personal property, and certain property elements. <u>Effective Date</u> : Immediate
Per-Unit Deductible Limits	Per-unit deductibles could not, in the aggregate of the entire project, exceed 5% of the total insurance limit. Certain geographic specific perils had certain HO-6 loss assessment coverage exemptions	Per-unit deductibles for any/all perils may not exceed \$50,000 per unit. Peril specific exemptions removed. (See Bulletin or Lender Letter for specific buy-down policy terms) <u>Effective Date</u> : Effective for Mortgages with Application Received Dates on or after July 1, 2026

Condo Projects *Exempt* From Review



- 2–4 Unit Condominium Properties Continue to be Exempt From Review
- 5–10 Unit Condominium Properties
 - **May** be exempt from review, subject to eligibility criteria
- Eligibility Criteria (Applies to Condo Projects with ≤ 10 Units)
 - Not part of a master association
 - No condotel or hotel-like usage
 - No manufactured housing (in most cases)
 - No material financial, structural, or critical repair concerns
 - Not designated as “Unavailable for Lending”
- **Effective Date:** Immediate
- Eligibility Update
 - Critical Repairs and Deferred Maintenance Review Required for Both 2-4 Unit and 5-10 Unit Condominium Properties



 **EFFECTIVE DATE: IMMEDIATE**



**CRITICAL REPAIRS & DEFERRED MAINTENANCE REVIEW
REQUIRED FOR BOTH 2-4 UNIT & 5-10 UNIT PROPERTIES**

Investor Cap Removed - Financing Opens Up

- Elimination of the **50% investor ownership cap** unlocks mortgage availability
- Investor-heavy condominium properties can now qualify for financing
- But — **New Construction Still Restricted**
 - **50% owner-occupancy (primary and second home sales out of total sold or under contract), the presale requirement** remains for new construction projects
 - Mortgage eligibility still tied to owner-occupancy thresholds at project inception
- Eligibility Update
 - Established Properties Can Have Higher than 50% Investor Ownership
 - Will Fannie Mae Continue to Require Owner Occupancy/Second Home/Investor Data?
 - Will CPM Continue to Require Investor Data?



PERS Requirement Removed - Florida

- **Mandatory PERS review eliminated** for new and newly converted condominium projects
 - Removes a key barrier to initial mortgage availability
- **PERS Still Available as a Strategic Option**
 - Developers and lenders **may continue to utilize PERS** for site-wide project approval
 - Can streamline and standardize lending across the entire project
- **All Other Requirements Still Apply**
 - Existing new construction condo review guidelines remain fully in effect

Note: The Fannie Mae PERS approval process remains available for voluntary use by lenders and developers

**FLORIDA NEW CONSTRUCTION
PERS REQUIREMENT REMOVED**

MANDATORY PERS REVIEW ELIMINATED
Removes a key barrier to initial mortgage availability

PERS STILL AVAILABLE AS A STRATEGIC OPTION
Developers and lenders may continue to utilize PERS for site-wide project approval
Can streamline and standardize lending across the entire project

ALL OTHER REQUIREMENTS STILL APPLY
Existing new construction condo review guidelines remain fully in effect

NOTE: The Fannie Mae PERS approval process remains available for voluntary use by lenders and developers.

CondoTek™

Agency Initiatives

- **Fannie Mae and Freddie Mac have significantly enhanced their infrastructure** to improve transparency for boards, managers, owners, and lenders
- Introduction of centralized data platforms
 - **Fannie Mae CPM (Condo Project Manager)**
 - **Freddie Mac PAR (Project Advisor Resource)**
- Association and Board Communication
 - **Online Portal**
 - **Webinars**
 - **Notification of Ineligibility**
 - **Direct Communication**
- **“Unavailable for Lending” designations can be lifted** as properties achieve compliance under updated guidelines
- *Data-Driven Condo Lending Is Here & CondoTek Is Leading The Industry*



AGENCY INITIATIVES
INCREASED TRANSPARENCY & ACCESS

Fannie Mae and Freddie Mac have significantly enhanced their infrastructure to improve transparency for boards, managers, owners, and lenders.

 CENTRALIZED DATA PLATFORMS	 ASSOCIATION & BOARD COMMUNICATION	 ELIGIBILITY UPDATES
<ul style="list-style-type: none">✓ Fannie Mae CPM (Condo Project Manager)✓ Freddie Mac PAR (Project Advisor Resource)	<ul style="list-style-type: none">✓ Online Portal✓ Webinars✓ Notification of Ineligibility✓ Direct Communication	<ul style="list-style-type: none">✓ “Unavailable for Lending” designations can be lifted as properties achieve compliance under updated guidelines

 **DATA-DRIVEN CONDO LENDING IS HERE.**
CONDOTEK IS LEADING THE INDUSTRY.





THE STANDARD FOR CONDO & CO-OP LENDING

DOCUMENT ACQUISITION. PROJECT REVIEW. LENDING CONFIDENCE.

CondoTek's products and services help lenders navigate the condo and co-op lending arena from origination through closing—
with confidence and clarity.

WHY LENDERS CHOOSE CONDOTEK



STANDARDIZED ORDERING
Streamlined and easy



CONSISTENT DATA
Reliable, accurate and complete



EASILY DISCLOSED FLAT RATE FEE
Transparent and predictable



ENSURED EFFICIENCY
Saves time. Reduces risk.



MOST COMPREHENSIVE DOCUMENT PACKAGE
In the industry



MOST COMPREHENSIVE WARRANTED UNDERWRITING
For condo and co-op projects

SEE HOW CONDOTEK CAN POWER YOUR LENDING SUCCESS.



BOOK A **POWER INFO™** SESSION WITH MIKE PEARLMAN

In just 15 minutes, discover how CondoTek can save you time, reduce risk, and strengthen your lending business.



BOOK YOUR POWER INFO SESSION



TRUSTED BY LENDERS



FOCUSED ON CONDO & CO-OP



COMMITTED TO YOUR SUCCESS



DELIVERING RESULTS THAT MATTER

Resources

- CondoTek is the Standard for Condo/Co-op Document Acquisition & Warranted Condo/Co-op Project Underwriting Review.
- Through our CondoPak, Co-opPak, Condo Project Warrant, Co-op Project Warrant and Lending Compliance Report products we effectively help our lender clients navigate the condo and co-op lending arena from origination through closing
 - Standardized Ordering
 - Consistent Data
 - Easily Disclosed Flat Rate Fee
 - Ensured Efficiency
 - Most Comprehensive Document Package in the Industry
 - Most Comprehensive WARRANTED Condo and Co-op Project Underwriting Available
- BOOK 15 MINUTE POWER INFO SESSION - [Book with Mike](#)
[Fannie Mae Lender Letter](#) | [Freddie Mac Lender Letter](#) | [CondoTek Blog](#)
[CondoPak](#) | [Condo Project Warrant](#)





QUESTIONS & ANSWERS

We're here to help.



Disclaimer

- *The guidelines referenced in this presentation are from the respective GSE/Agency's official website selling or warranty guidelines (for example, "Fannie Mae's Selling Guide" for Fannie Mae) and they are believed to be accurate as of March 24th, 2026.*
- *As such, the information in this presentation is offered "AS IS," and no warranty is made as to its timeliness or accuracy after this date. Changes to the GSE/Agency guide occur regularly and no amendments or corrections to these materials will be made by CondoTek after the date of the presentation; please defer to the then-current guidelines contained within the GSE/Agency guidelines at all times*