Fannie Mae

FAQs: Fannie Mae's condo and property insurance requirements

Contents

General 1

Limited Review 2

Reserves 3

Property Insurance Flexibilities 4

> **NOTE:** *Condo and co-op communities rely on HOAs, condominium owners associations (COAs), co-op boards, and similar governing organizations to manage shared finances, property needs, and insurance. For simplicity, we use "HOAs" in this document to refer to these organizations collectively.*

General

Q1. **How is Fannie Mae supporting the condo market?**

According to Fannie Mae's SEC reporting, condo and co-op loans made up 9% by UPB of its guaranteed single-family book of business between 2019 and 2025. Fannie Mae is actively working to make condo financing faster and more accessible:

- **Easier access for lenders.** When lenders enter key project information in Desktop Underwriter®, DU® messages can identify whether the project has a current Fannie Mae approval, helping save time during origination.
- **Expanded waivers for smaller projects.** Fannie Mae expects that expanding the review waiver to certain projects with 10 or fewer units will make roughly 15% to 20% more transactions eligible for that process than were eligible before the change.
- **More documented approvals.** Fannie Mae is committed to documenting additional approvals in Condo Project Manager™ (CPM) so lenders can rely on existing approvals rather than conducting independent reviews.
- Together, these efforts may help save consumers and lenders time and money during the loan origination process.

Q2. **How do these new policies compare to Freddie Mac's requirements?**

Both the insurance and project standards changes are aligned with Freddie Mac. Fannie Mae worked closely with FHFA over several years to align the requirements, and that process was comprehensively informed by multiple rounds of industry feedback on the policy proposals.

© 2026 Fannie Mae

Limited Review

Q3. **Why is Fannie Mae eliminating Limited Review?**

The Limited Review process did not require lenders to assess the condo project's financial condition. A Full Review adds that important step by looking at whether the HOA is setting aside enough of its dues in reserves and whether owners are falling behind on their dues.

Q4. **Why does an HOA's financial condition matter to a buyer?**

Condo owners share responsibility for the building, common areas, maintenance, and major repairs. If the HOA has not saved enough to address significant deferred maintenance or critical repair needs, individual owners may have to make up for the shortfall out of their own pocket.

Q5. **How is this change intended to benefit buyers?**

A financial review may help identify inadequate reserves and other financial concerns before a buyer completes the purchase. Knowing whether the project meets Fannie Mae standards gives the buyer and lender better information and can reduce the likelihood that the buyer will later face a large special assessment, sharply higher dues, or another unexpected financial burden.

Q6. **Will every condo project now need a Full Review?**

No. A separate project review may not be needed for certain projects that have:

- a current Fannie Mae approval status in Condo Project Manager
- a current FHA approval or and is eligible for FHA reciprocal review
- 10 or fewer units and is eligible for a Waiver of Project Review
- Detached units and is eligible for a Waiver of Project Review
- Fannie Mae to Fannie Mae limited cash-out refinance and is eligible for a Waiver of Project Review

If none of these options applies, the lender will need to complete a Full Review or submit to Project Eligibility Review Service (PERS).

Q7. **Is Fannie Mae making any changes that may expand financing options for condo projects?**

Yes. Fannie Mae expanded the project-review waiver to certain projects with up to 10 units, removed the investor-concentration limit for established projects reviewed under Full Review, and introduced property insurance flexibilities intended to help more projects meet eligibility requirements.

© 2026 Fannie Mae

Reserves

Q8. **Why is Fannie Mae increasing its minimum reserve requirement?**

Fannie Mae's experience indicates a connection between inadequate HOA reserves and condo projects with significant deferred maintenance or critical repair needs. Increasing the minimum allocation from 10% to 15% of annual budgeted assessment income ("HOA dues") may help associations build a larger financial cushion for planned maintenance, major repairs, and unexpected expenses.

Q9. **Why are reserves important?**

Reserves are funds an HOA sets aside for future building expenses. These funds may be needed to repair or replace shared property components such as roofs, balconies, parking structures, elevators, plumbing systems, and building exteriors. Without adequate reserves, an HOA may have to delay necessary repairs or collect additional money from owners. That can result in situations such as the following:

- Large, one-time special assessments.
- Substantial increases in monthly HOA dues.
- Repeated assessments as different repair needs arise.
- Owners having to use savings or take on debt to cover an unexpected assessment.
- Difficulty selling or refinancing units while major financial or repair issues remain unresolved.
- Greater financial stress for owners who must pay both their mortgage and higher HOA obligations.

Q10. **How does the change benefit condo buyers and owners?**

Better-funded reserves can reduce the likelihood that a buyer will move into a community and soon receive a large, unexpected bill for repairs that the HOA had not adequately budgeted for. The additional funding also helps current owners protect the long-term condition and value of their community.

Q11. **How does the change benefit HOAs?**

The higher minimum reserve allocation encourages associations to plan ahead instead of relying heavily on special assessments after a major repair becomes urgent. A stronger reserve position may help an HOA address maintenance needs more consistently, avoid postponing necessary work, and strengthen the project's long-term physical and financial stability.

Q12. **How does the change benefit lenders?**

Better-funded projects can give lenders greater confidence that borrowers are purchasing homes in communities prepared to meet their shared financial obligations. Adequate reserves can also reduce the risk that an unexpected HOA expense will make it more difficult for an owner to keep up with the mortgage.

© 2026 Fannie Mae

Q13. **Will this significantly increase costs for condo owners?**

The expected impact is modest for most affected projects. Fannie Mae estimates the average increase for a project moving from 10% to 15% reserve allocation is between **$13 to $14 per unit each month**. This is not a fee paid to Fannie Mae. The money remains with the HOA and is set aside for the community's future maintenance and repair needs.

Q14. **Do any condo projects already meet the new requirement?**

Yes. The **majority** of projects currently meet Fannie Mae's requirements.

Q15. **Does Fannie Mae require an HOA to obtain a reserve study?**

No. Fannie Mae does not require a reserve study solely to demonstrate compliance with the minimum reserve requirement. Lenders will generally review the project budget or financial information. A reserve study may provide an alternative when an HOA budgets less than 15% for reserves. In that case, the project budget must include the highest reserve allocation amount recommended in the study.

Property Insurance Flexibilities

Q16. **Why did Fannie Mae change its insurance requirements?**

Rising premiums and limited insurance availability in certain parts of the country have created real challenges for homeowners and HOAs. Fannie Mae updated its requirements to reflect how the insurance market operates today, giving associations more flexibility to secure compliant coverage at potentially lower cost while keeping required insurance protections against major losses in place.

Q17. **How do these changes affect the coverage for owners?**

The changes are designed to maintain important coverage for owners while giving HOAs more flexibility in how they meet Fannie Mae's insurance requirements. However, unit owners may need HO-6 insurance if their HOA chooses a master policy that has a per unit deductible that they could be responsible for paying.

Q18. **How do these changes benefit homeowners and HOAs?**

They give associations more room to secure compliant, more affordable coverage in a tightening market. That may help lower overall costs for owners and HOAs, aid in maintaining property values by supporting project eligibility for mortgage loan financing, and reduce financial risk, all of which support the long-term sustainability of condo and co-op communities.

Q19. **How do these changes benefit lenders and servicers?**

By simplifying the process for lenders and servicers to confirm that a policy provides adequate coverage, rather than solely relying on prescriptive documentation that can be difficult to obtain from some insurers. This is intended to add certainty and reduce friction in the origination and servicing process.

© 2026 Fannie Mae

Q20. **Are these changes aligned with Freddie Mac?**

Yes. Both the insurance and project standards updates are aligned with Freddie Mac. Fannie Mae worked closely with FHFA over several years, informed by multiple rounds of industry feedback.