CONDO FINANCING · 2026–2027

Major Condo Financing Changes Are Here.

What Every Principal Needs to Know.

ISSUED MARCH 18, 2026

Fannie Mae Lender Letter LL-2026-03

Freddie Mac Coordinated Bulletin

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The Surfside Effect

On June 24, 2021, Champlain Towers South collapsed in Surfside, Florida — 98 lives lost. The physical tragedy was immediate. The regulatory fallout is still unfolding.

WHAT THE COLLAPSE EXPOSED

- Decades of deferred maintenance hidden by outdated inspection protocols
- Reserve funds so inadequate that critical repairs were repeatedly postponed
- Code compliance processes that allowed known structural deficiencies to go unaddressed
- Insurance underwriting that had not kept pace with aging building stock

Regulators, building departments, insurers, and the Government-Sponsored Enterprises (GSEs) were forced to re-examine their standards simultaneously. The March 18, 2026 policy updates are the direct consequence.

The Condo Blacklist

The Highest-Stakes Outcome

Fannie Mae's Condo Project Manager flags buildings as ineligible for conventional financing. This impacts all building units and owners. A flagged building means no conventional mortgage for any unit in the building.

A PROJECT BECOMES INELIGIBLE WHEN

- Critical repair costs exceed $10,000 per unit with no reserve funding allocated
- 15% or more of units are 60+ days delinquent on assessments
- Insurance falls below GSE minimums
- Unresolved litigation exists

The building doesn't become ineligible when the roof fails. It becomes ineligible when the lender discovers the unfunded liability.

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January 4, 2027

Reserves Rise from 10% to 15%

MINIMUM RESERVE ALLOCATION

Today	**10% of budgeted income**
Jan 2027	**15% of budgeted income**

WHAT THIS MEANS IN PRACTICE

- Associations below 15% must increase contributions — likely triggering higher monthly dues
- A professional reserve study can substitute, but the baseline funding method allowing balances to approach zero is now prohibited
- Boards that locked in 2026 and early 2027 budgets have limited runway to comply

An underfunded building doesn’t just face higher dues. It faces the blacklist.

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One Positive Change

The 50% Investor Concentration Cap Is Eliminated

Previously, buildings where more than half the units were investor-owned were non-warrantable — effectively locked out of conventional financing. That rule is retired as of March 18, 2026.

This reopens financing access for many urban and mixed-use buildings in South Florida that were previously cash-only markets — a meaningful win for market liquidity.

Note: Individual lenders may still apply their own overlays. Confirm with your lender or call me before assuming eligibility.

August 3, 2026

Limited Review Eliminated

For decades, buyers with a larger down payment could secure a condo loan without any examination of the association’s financial health. That framework is gone.

Effective August 3, 2026, every condo loan in a project with more than 10 units requires Full Review — regardless of down payment size.

FULL REVIEW NOW EXAMINES

- Association finances and reserve funding
- Structural condition and deferred maintenance
- Insurance adequacy
- HOA delinquency rates

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The Narrow Exception

Buildings with 10 units or fewer may qualify for a Waiver of Project Review, provided:

- Not part of a master association
- Proper insurance maintained
- Not flagged as ineligible by the GSEs

For the vast majority of Florida condo buildings, Full Review is now the only path to conventional financing.

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What to Do Now

FOR BUYERS

- Ask for a current condo questionnaire before making an offer
- Verify reserve funding levels and any pending special assessments
- Confirm your lender is underwriting to the new Full Review standard

FOR SELLERS

- Know your building’s warrantable status before listing
- A non-warrantable building dramatically shrinks your buyer pool

FOR ALL

- Review reserve funding against the 15% threshold immediately
- Ensure insurance meets the $50,000 per-unit deductible cap
- Monitor your delinquency rate — 15% triggers ineligibility

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Before You're Under Contract

These changes are already affecting transactions. Understanding the new standards before you're under contract is the difference between a smooth closing and a time consuming process that may not have a positive outcome.

Feel free to connect or message me for a further discussion.

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