

New Condo Lending Rules Are Rolling Out Through Early 2027 — Here's What They Actually Mean for Buyers

If you're shopping for a condo with a conventional mortgage, you'll be hearing a lot about “new Fannie Mae and Freddie Mac condo rules” this year. The coverage can make it sound like the sky is falling. It isn't but it's worth understanding what's actually changing, when, and why, because it affects financing timelines, HOA dues, and which buildings even qualify for a conventional loan.

Why now

Fannie Mae and Freddie Mac, the government-sponsored enterprises that buy most conventional mortgages from lenders and package them for investors, don't lend directly, but their eligibility rules determine which condo buildings conventional loans can be used in at all. On March 18, 2026, both agencies issued coordinated updates (Fannie Mae's Lender Letter LL-2026-03 and Freddie Mac's Bulletin 2026-C) tightening how they evaluate a condo association's financial health before approving loans in that building. The changes trace back to the 2021 Champlain Towers South collapse in Surfside, Florida, which exposed how easily a poorly funded, poorly maintained HOA could put every owner's equity (and safety) at risk. Regulators have spent the years since tightening the link between a building's financial condition and its mortgage eligibility. This round makes several of those standards permanent and adds new ones.

The rollout has four separate dates

This is the detail most coverage glosses over, and it matters if you're timing a purchase:

- **March 18, 2026 — effective immediately.** The 50% investor-concentration cap that had blocked financing in many high-investor buildings was retired. The Waiver of Project Review (streamlined approval requiring minimal HOA documentation) was expanded to buildings with up to 10 units. Roofs no longer have to be insured on a replacement-cost basis — actual cash value is now acceptable for that one component, though the rest of the master policy still must be replacement cost.
- **July 1, 2026.** Per-unit deductibles on the HOA's master insurance policy are capped at \$50,000, and lenders must confirm buyers carry individual HO-6 walls-in policies sufficient to cover that gap.
- **August 3, 2026.** Fannie Mae's Limited Review and Freddie Mac's Streamlined Review, the lighter-touch approval path historically used in roughly 40% of condo transactions, are eliminated. Every conventional condo loan now requires a Full Review or a qualifying small-building waiver. Reserve studies must also be built on the “highest recommended funding level” rather than a bare-minimum baseline scenario.

- **January 4, 2027.** The minimum reserve contribution rises from 10% to 15% of the association's annual budgeted assessment income. This is the headline number most people mean when they say “the new condo rules,” but it's the last piece to take effect, not the first.

The trigger for all of these (except the immediate March 18 items) is your loan application date, not your closing date. An application dated before a given effective date can still close under the old rules.

Will this create problems, or are HOAs already there?

The honest answer is: it depends on which piece of the checklist you're looking at.

Where well-run HOAs are already in good shape: delinquency rates under 15%, no single entity owning more than 20% of units, adequate presale ratios on new projects, replacement-cost coverage on the master policy, and a reserve study completed within the last 36 months. These have been baseline good-governance practices for years, and associations that already budget conservatively and maintain current reserve studies, the kind of well-managed HOAs common in established mountain-town communities, generally clear these without any changes.

Where there's genuine friction: Two pieces are new enough that they'll require real adjustments for some associations. First, the requirement that reserve studies use the highest recommended funding level rather than a baseline scenario — plenty of boards have historically chosen baseline funding specifically to keep dues lower, and those associations will need to budget up. Second, and more significant for buyers in the short term, eliminating Limited/Streamlined Review isn't a question of any individual HOA's compliance at all, it's a process change. Every transaction, even in a healthy, well-documented building, now requires fuller underwriting: HOA questionnaires, budgets, insurance certificates, delinquency reports, and litigation status, gathered and reviewed for every loan. Mortgage industry voices, including lenders who petitioned the Federal Housing Finance Agency to delay the change, have been candid that this will slow down some closings and produce more denials where HOA documentation is slow, incomplete, or genuinely deficient, regardless of how sound the building's finances actually are.

So: no, this isn't going to sink most transactions. But it's not friction-free either, and a buyer who assumes “my HOA is fine, so this won't affect me” should still expect to budget extra time for the paperwork chase, particularly for anything closing on or after August 3.

The upside for buyers

Here's the part worth emphasizing: nearly every one of these changes exists to catch problems before you close, not after. A reserve study that's actually current. A funding level that's realistic instead of aspirational. Insurance that will actually rebuild the building instead of leaving owners exposed to a special assessment. A documented look at whether the association can pay its bills.

Before Surfside, a lot of that scrutiny simply didn't happen for a large share of condo purchases, Limited Review existed precisely because lenders were willing to take the HOA's finances on faith for lower-risk transactions. That created real, if invisible, risk: buyers could close on a unit in a building that was

underfunding its reserves or letting insurance lapse and have no way of knowing until a special assessment landed. The new framework trades a bit of speed for a much clearer picture of what you're actually buying into, not just a unit, but a fractional stake in the whole association's financial health.

For buyers working with associations that already govern conservatively: current reserve studies, adequate insurance, low delinquency, this is mostly a paperwork exercise that ends in the same result you'd have gotten anyway, with more documentation to back it up. That's a genuine net positive: more assurance, at the cost of some additional lead time.

What to ask for before you write an offer

- The HOA's current budget and reserve allocation percentage (and whether the board has a plan to reach 15% before January 2027)
- The reserve study: date completed (must be within 36 months) and which funding level it uses
- The master insurance policy: replacement-cost confirmation and per-unit deductible
- Current delinquency rate and any pending or discussed special assessments
- Whether the building qualifies for a small-building waiver, if applicable

Getting these documents early is the single best way to avoid a late-stage financing surprise under the new rules.

This article is for general informational purposes and does not constitute legal or financial advice. Individual lender overlays and state-specific HOA requirements can affect how these rules apply to a specific transaction.