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BOARD MEMORANDUM

Fannie Mae & Freddie Mac Policy Updates — Implications for Your Community

Dear Board/Council Member,

This memo summarizes recent policy changes announced by Fannie Mae and Freddie Mac on March 18, 2026 (Lender Letter LL-2026-03), explains what they mean for community associations, and outlines recommended next steps for your board. Please note that these requirements are mainly applicable to condominium associations and it is recommended that you consult with your legal counsel as to how or whether these policy changes impact your community.

CAMCO will be hosting a Board Webinar on **Wednesday, June 24th, 2026, at 6PM** with Becker attorney, Stefan Richter and his colleagues, to review these updates in further detail. We will also have members of the Brown & Brown – Risk Strategies team present to touch on the insurance updates.

To register to join the webinar, please visit https://us06web.zoom.us/webinar/register/WN_q6U5H8foSzOCwlVa3_o4Sg

Background

Fannie Mae and Freddie Mac set the financing standards that determine whether buyers can obtain conventional mortgage loans for units in community associations. When an association falls out of compliance with these standards, the community can be classified as "non-warrantable," which restricts buyers' access to conventional financing, slows resale activity, and can depress property values.

In coordination with the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac have issued targeted updates to their project standards and property insurance requirements. These changes respond to industry feedback about rising insurance premiums, limited coverage availability, and evolving market conditions.

Key Changes and What They Mean

1. Reserve Funding Method for Approval Requirement Increased from 10% to 15%

Effective January 4, 2027, condominium projects reviewed under Fannie Mae's Full Review process generally must allocate a minimum of 15% of annual budgeted assessment income to replacement reserves for capital expenditures and deferred maintenance. This is an increase from the current 10% threshold.

What this means for your association: Boards should review current budgets and reserve allocations now. If your community is currently at or near the 10% floor, assessment increases may be necessary to reach the new 15% requirement before January 2027. Failure to meet this threshold could jeopardize the warrantable status of the community and make it harder for owners to buy, sell, or refinance. If your community does not meet this 15% threshold, the only way to satisfy the revised guidelines for approval would be to otherwise demonstrate compliance with the "highest recommended reserve allocation amount in the reserve study."

2. Reserve Study Standard Method for Approval

Effective August 3, 2026, if a community does not meet the 15% threshold, and intends to use a reserve study to demonstrate adequate reserves, lenders must verify that the association's budget reflects the "highest recommended reserve" funding amount identified in the study. If using this method for approval, baseline funding is no longer permitted.

What this means for your association: If your association does not meet the 15% threshold and is instead relying on a reserve study for approval, the board should ensure the adopted budget reflects the study's highest recommended contribution level. Associations that have historically budgeted at lower funding levels should consult with their legal counsel and reserve study provider to understand the gap and plan accordingly. It is also important to understand that lenders are likely to confuse the approval guidelines, believing that both the 15% threshold and the "highest recommended reserve allocation" methods must be followed. That is not accurate and legal counsel should be consulted if you face that scenario.

3. Insurance Flexibility — Actual Cash Value Coverage Now Accepted for Roofs

Fannie Mae and Freddie Mac will now accept Actual Cash Value (ACV) coverage for roofs on condominium and single-family buildings. Previously, associations were required to carry full Replacement Cost Value (RCV) roof coverage, which had become prohibitively expensive or unavailable in many markets. The rest of the building must still be insured at 100% estimated replacement cost.

What this means for your association: This change may reduce insurance premiums for communities in high-cost or high-risk markets. Boards should work with their insurance brokers to evaluate whether switching to ACV roof coverage would result in meaningful savings while maintaining adequate protection. It is important to note that state law or your governing documents may still require RCV coverage regardless of what Fannie Mae permits.

4. Simplified Deductible Requirements

The maximum allowable per-unit deductible for master property insurance policies has been simplified and capped at $50,000. A 2024 rule clarification that had created confusion and slowed insurance claims processing has also been rescinded.

What this means for your association: Associations that previously lost warrantable status due to high-deductible amounts may now qualify. Boards should confirm that the association's master policy deductible is at or below $50,000 per unit and review whether unit owners need to carry individual HO-6 policies to cover deductible exposure.

5. Limited Review Process Retired — Full Reviews Now Required

Effective for loan applications dated on or after August 3, 2026, the Limited Review process for established condo projects is being retired. All established condo projects will be subject to Full Review, which requires lenders to collect additional documentation to verify the financial health and condition of the association.

What this means for your association: Lenders will be requesting more documentation from associations going forward, including budgets, financial statements, reserve studies, and insurance certificates. Boards and management should ensure these documents are current, accurate, and readily available to facilitate smooth closings for buyers and sellers in the community.

6. Other Notable Changes

- **50% Owner Occupancy Requirement Retired:** The minimum owner-occupancy threshold for established condos has been eliminated, which may benefit communities with higher investor or rental unit percentages.

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Recommended Next Steps

1. **Review your current reserve allocation.** Determine whether your budget currently meets the 15% threshold. If it does not, consult with management, legal counsel and your reserve specialist to determine whether it is necessary to begin planning for an assessment adjustment to achieve compliance before January 2027 or, alternatively, if you can meet the requirements of the guidelines through existing reserve funding allocations.
2. **Commission or update your reserve study.** Ensure you have a current reserve study and, if you do not meet the 15% threshold, that your budget reflects its highest recommended funding level. Consult with your managing agent, legal counsel and reserve specialist as to what the highest recommended funding level is and why.
3. **Consult your insurance broker.** Explore whether ACV roof coverage and the simplified deductible rules offer cost savings for your community, while confirming compliance with state law and your governing documents.
4. **Organize association documents.** With all projects now subject to Full Review, ensure that budgets, financial statements, insurance certificates, and reserve studies are current and readily accessible for lender requests.
5. **Consult legal counsel.** These are Fannie Mae and Freddie Mac lending guidelines/standards, not legal requirements. However, falling out of compliance can have significant financial consequences for unit owners. Your attorney can advise on how these changes interact with your state laws and governing documents.

CAMCO Property Management is closely monitoring these changes and is available to assist your board in evaluating compliance, coordinating with insurance brokers, and preparing documentation.

Please join us on **Wednesday, June 24th, 2026, at 6PM** to review these updates in further detail. Register by visiting this link: https://us06web.zoom.us/webinar/register/WN_q6U5H8foSzOCwlVa3_o4Sg

Disclaimer: This memo is provided for informational purposes only and does not constitute legal, financial, or insurance advice. Boards should consult with qualified third-party professionals regarding their specific circumstances.

Sincerely,

CAMCO Management