

# FANNIE MAE CONDO UPDATE

CONDO RULES CHANGED: 15% RESERVES NOW REQUIRED!  
STARTING JANUARY 4, 2027

## BIG PICTURE

- **New guideline:** Lender Letter LL-2026-03
- **Focus:** Condo approvals + insurance changes
- **Goal:** Easier approvals, more flexibility, tighter financial controls

## CONDO / PROJECT CHANGES

- Waiver of Review expanded → now allows projects ≤10 units
  - Florida: PERs requirement removed (attached condos)
  - Investor limits removed (no more 50% cap)
  - Limited Review = GONE
- Now it's either Full Review or Waiver

## RESERVES (THIS IS THE BIG ONE)

- Increased from 10% → 15% of budget
- Must follow full reserve study (no shortcuts)
- No more "near-zero" reserve funding

## INSURANCE CHANGES (HUGE FOR DEALS)

### 1-4 UNITS:

- Replacement cost still required
- BUT roofs no longer need replacement cost
- ACV policies now acceptable in some cases

### CONDOS / MASTER POLICIES:

- Must cover 100% replacement cost
- Inflation guard removed
- Roofs = no replacement cost requirement

### DEDUCTIBLES:

- Max: \$50K per unit
- If per-unit deductible → HO6 REQUIRED

### HO6 RULES:

- Required if interior not covered OR deductible exists
- Coverage must meet the interior or deductible exposure
- Max deductible: 5% or \$2,500



## Key Dates:

- Most changes: Effective NOW
- Condo review changes: Aug 3, 2026
- Insurance updates: July 1, 2026
- Reserve increase (15%): Jan 4, 2027



## What This Really Means:

- Easier condo approvals (less red tape)
- BUT stricter on reserves = financial strength matters
- Insurance flexibility = more deals possible
- Big impact in FL, TX, coastal markets

### Translation:

Less focus on investor ratios  
More focus on reserves + insurance



## Opportunity:

The lenders who understand this first...  
are the ones closing deals others can't.

Let's Tag Team  
these Deals™



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