

What lenders will ask of your association's budget, and when.

Two pages for condominium boards and managers on the 2026 Fannie Mae and Freddie Mac project-review changes.

Why this is a board matter

When someone buys or refinances a unit with a conventional loan, the lender reviews the building as well as the borrower. If the building does not meet the standard, that loan generally cannot be sold to Fannie Mae or Freddie Mac, and the buyer may need another kind of financing. The review reads the budget the board adopts.

March 18, 2026

ANNOUNCED

Fannie Mae and Freddie Mac publish the changes on the same day.

August 3, 2026

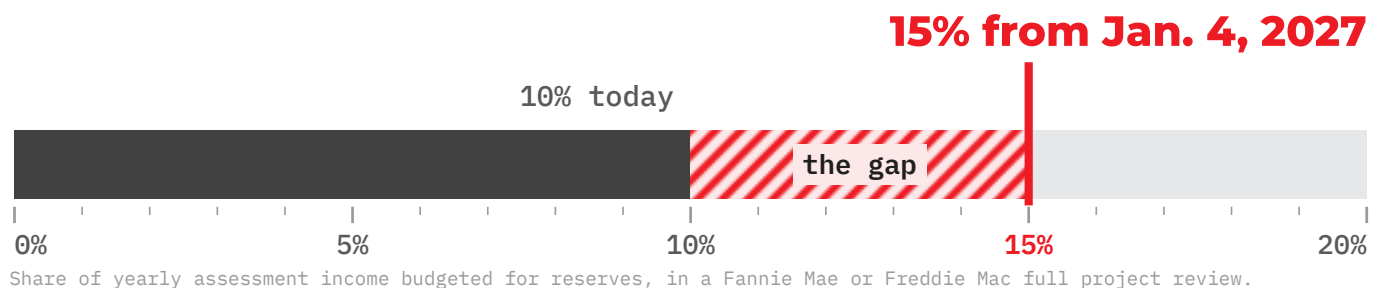
IN FORCE NOW

The shorter building review ends. Most conventional loans on attached condos in projects of more than 10 units now get the full review, and the full review reads the association's budget.

January 4, 2027

COMING

The minimum reserve budget rises from 10 to 15 percent of yearly assessment income, for loan applications dated on or after that day.



Does your project get the full review?

Usually skips it

- Detached condos, including site condominiums
- Projects of two to four units
- Projects of five to 10 units that are not inside a master association

Gets it

- Attached units in projects of 11 or more
- Projects of five to 10 units inside a master association
- Attached units in new or newly converted projects

Two ways to meet it

Budget 15 percent

The annual budget puts at least 15 percent of assessment income toward replacement reserves.

Or fund a reserve study

A study from the last 3 years by an independent professional, with the budget funding the highest amount it recommends. A study built on baseline funding no longer qualifies.

A flat 15 percent is not automatically right for a particular building. Some need more and some need less. A reserve study answers that, and the route is the board's decision, made with its manager, its accountant and its attorney.

Run your own number

FROM YOUR ANNUAL BUDGET

EXAMPLE YOURS

A	Assessment income budgeted for the year	\$240,000	
B	Reserve contribution budgeted for the year	\$24,000	
C	B divided by A: your reserve percentage	10.0%	
D	A multiplied by 0.15: the 15 percent line at today's income	\$36,000	
E	D minus B: the gap at today's income, if any	\$12,000	
F	E divided by 0.85: what to add if assessments are raised to fund it	\$14,118	
G	F divided by units, divided by 12: per unit per month, rounded up	\$30	

Example column: 40 units at \$500 a month. Line F is larger than line E because raised assessments are income too, so the mark moves as they go up. A lender may leave some items out of line A (special-assessment income, income already allocated to reserves, incidental income, pass-through utilities), which can only raise line C and shrink line F. Line F is the most a board would need. An illustration using Fannie Mae's published formula, not a recommendation for any building.

Before the board adopts its next budget

- 1 Find out which review your project gets. Unit count, attached or detached, and any master association decide it.
- 2 Run the number above on the draft budget.
- 3 If it is under 15 percent, choose a route: raise the reserve line, or commission a reserve study and fund the highest amount it recommends.
- 4 Tell owners why. A reserve line that keeps units eligible for conventional financing protects every owner's resale.
- 5 Decide who answers lender questionnaires, and answer them completely.

What a lender will ask your manager for

- ☐ The current annual budget, showing the reserve line
- ☐ The most recent reserve study, and its date
- ☐ Any special assessments: purpose, amount, how much is unpaid
- ☐ Any structural or mechanical inspection from the last three years
- ☐ Repairs the building needs and has not yet funded
- ☐ How many units are 60 or more days behind on assessments
- ☐ Pending litigation, and what it is about
- ☐ The master insurance certificate, with deductibles

Would it help to have this explained in the room?

Michele will walk your board through this in person or by video, and take questions, at no charge. She is a lender, not your attorney or your reserve specialist. Scan to ask, or call (727) 597-0981.

Michele Fulcher • Mortgage Loan Originator • NMLS #139088 • michele@mypriorityhome.com



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