Condo Lending **Changes**

SWBC | Mortgage

What Every Realtor **Needs to Know** | Fannie Mae & Freddie Mac Updates

Latest Major Update August 3, 2026 | More Changes Coming January 4, 2027

Why the rules changed: The 2021 Surfside condominium collapse brought national attention to aging infrastructure, underfunded reserves, and insurance gaps. Temporary lending requirements introduced afterward became permanent in 2023. The latest update further strengthens insurance and reserve requirements while also providing more flexibility around project reviews and investor concentration.

FIVE CHANGES AT A GLANCE		
01	**Insurance**	Deductibles written as a percentage remain capped at 5% (e.g., wind and hail). A per-unit dollar deductible is also allowed, up to $50,000 per unit for applications dated on or after July 1, 2026. ACV coverage is now acceptable for roofs and non-structural items, while 100% replacement cost coverage is still required elsewhere. **Realtor Takeaway:** Confirm the deductible is covered by the owner's HO-6 policy.
02	**Changes in Review**	Limited/Streamlined reviews retired. Projects of 11+ units now require a Full Review. ***2–4 unit projects:*** Waiver of Project Review remains available. No questionnaire or financial review. ***5–10 unit projects:*** Waiver expanded for projects not part of a master association (in a master association, a Full Review is required). **Realtor takeaway:** Know the project's size and structure to take advantage of the Waiver of Project. Review when eligible *(insurance review is always required.)*
03	**Reserve Studies**	A project meets the reserve requirement in one of two ways: the budget meets the minimum reserve allocation requirement, or a reserve study completed within the last three years is used and funded at its highest recommended reserve allocation. Baseline funding no longer counts *(applications on or after Aug 3, 2026.)* **Realtor takeaway:** If a study was done in the last 3 years, it's considered in the decision-making.
04	**Investor Concentration**	The 50% investor cap is removed for established projects. New projects: Presale requirement still applies *(Fannie: 50%+ of units sold or under contract to buyers of primary-residences or second-homes.)* **Realtor takeaway:** More financing opportunities open up in investor-heavy, established communities.
05	**Reserve Contribution**	Minimum funding rises from 10% to 15% of annual budgeted assessment income for applications dated on or after January 4, 2027. **Realtor takeaway:** Allowable guideline adjustments may still qualify a project. Have your lender review the budget before assuming it's ineligible.

Get Dialed In Before You List, and Before You Write a Condo Offer

PREPARE EARLY!
Early documentation helps save the buyer money by avoiding rush processing costs.

SWBC Mortgage offers a variety of loan programs specifically for condominiums, as well as a Condo Team that has years of experience in this niche market.

- Loan amounts up to $4M for qualified buyers using a conventional program
- Available for primary and second homes, or investment properties
- Fixed-rate and SOFR Adjustable-Rate Mortgages (ARMs) options
- Buyer doesn't fit in traditional approval box? A non-QM loan may be the answer
- Condo doesn't meet the standard agency rules? We offer a variety of non-warrantable condo options

BEFORE YOU LIST (SELLERS)

- Call us first. We'll run the project against FNMA / Freddie / FHA / VA approval lists
- Get the current insurance policy; confirm deductible & ACV language
- Pull the current budget, YTD financials and balance sheet (within 90 days)
- Get the property manager's contact info (no national database)
- Ask the seller or association about critical repairs, pending litigation
- or any upcoming special assessments
- Acquire the reserve study if it's within the past 3 years

RESEARCHING FOR YOUR BUYERS

- Confirm FNMA / Freddie / FHA / VA approval status before writing an offer
- Request the condo questionnaire and insurance declarations page
- Grab HOA meeting minutes and flag any community concerns
- Check the reserve study date and funding level
- Ask about investor concentration and any rental restrictions
- Confirm no pending litigation, unresolved special assessments or condotel traits



WHEN A PROJECT DOESN'T QUALIFY, THE DEAL ISN'T DEAD. Alternative investors offer fixed-rate options and are often more flexible regarding critical repairs, pending litigation, and reserve shortfalls. Understanding a project's challenges early helps us identify the best financing path before it impacts your buyer's transaction.



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