The New Standard for Condominium Financial Health

SPS
Schernecker Property Services

What Fannie Mae & Freddie Mac's 2026 Updates Mean

Fannie Mae's latest updates reflect a clear shift: more flexibility on insurance, paired with stricter expectations for financial discipline. These changes are designed to balance rising insurance costs with long-term financial resilience.

1. Financial Health: Higher Standards

- Reserve minimums increase from 10% to 15% of annual budget
- Reserve studies now set required funding levels. Associations must utilize the most conservative (highest) funding recommendation outlined in the study
- Baseline funding eliminated

What this means: Underfunded reserves now directly impact financing, increasing pressure on boards to plan proactively.

2. Master Insurance: More Flexibility

- Roofs can be insured at actual cash value
- Inflation guard requirement removed
- Per-unit deductible capped at $50,000

What this means: Boards must ensure owners understand and comply with coverage requirements.

3. Unit Owner Insurance: Shifting Responsibility

- Individual policies required in more cases
- Coverage must match interior restoration or deductible
- Deductibles capped at 5% or $2,500

What this means: Boards must ensure owners understand and comply with coverage requirements.

4. Project Review Changes

- Waiver eligibility expanded (<10 units)
- Limited Review eliminated
- Investor limits removed

What this means: Financing pathways are shifting, impacting marketability of units.

The SPS Perspective & Recommended Next Steps

This isn't just a policy update. It's a redefinition of what "financially healthy" looks like for condominium associations. The cost of waiting is increasing. Communities that proactively align will maintain stability and financing access. Those that don't will face compounding challenges.

Next Steps:

- Reassess reserve funding strategy
- Assess project financeability
- Communicate early and often with owners
- Evaluate insurance structure and risk tradeoffs
- Communicate owner insurance requirements

For a comprehensive list of all updates, reference Fannie Mae Lender Letter LL-2026-03 HERE.

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