



FANNIE MAE UPDATE – IMPACT ON CONDOMINIUM ASSOCIATIONS

May 2026

As many of our clients will recall, following the 2021 Champlain Towers South Condominium disaster in Surfside, Florida, Fannie Mae and Freddie Mac (two of the quasi-governmental agencies, which we'll collectively call "Fannie Mae" in this article), had introduced a host of updates and requirements related to mortgage lending. Many condominium associations across the U.S. were suddenly inundated with requests from lenders to complete lengthy disclosures related to condo purchases. While no condo association is legally required to complete the lender disclosures, many (most) did and do, for fear of disrupting condo sales (angering would-be sellers in the process) or ending up on Fannie Mae's "ineligible/unwarrantable" list. A condo association's inclusion on the "ineligible" list (a/k/a, the "blacklist") can limit potential buyers for condo units in an association, as the number of lenders willing to underwrite loans for units within the association can drop precipitously.

Over the past four (4) years, Fannie Mae has considered feedback from condo associations and lenders and, as of March 2026, introduced updated guidelines for lenders to consider when underwriting condo loans, most of which will have a significant impact on our clients. Please see below for some of the main issues for condo boards and managers to consider:

1. **Reserve Funds and Reserve Study Requirements** – While reserve studies are not yet legally mandated in Illinois (though a bill is working its way through the Illinois legislature to require them), Fannie Mae guidelines already require updated, professional reserve studies for most condo associations every three (3) years (note that pending legislation in Illinois would mandate reserve study updates every five years, creating some misalignment between legal and lender requirements).

Fannie Mae guidelines will now require that the Association's reserve fund balance and savings plan more closely align with their reserve study funding plan. In short, it will no longer be sufficient for a condo association to *have* a reserve study; as of August 3, 2026, the association must show lenders that its reserves are being funded at the highest level recommended by its reserve study.

Additionally, while the general rule of thumb for lenders has historically been that an association must show that its annual budget includes a "reserve contribution" of at least 10% of annual income, Fannie Mae will soon require a minimum of 15% (effective as of January 2027).

2. **Insurance Requirements** – The new Fannie Mae guidelines clarify certain insurance requirements for condo associations. Namely, (i) per-unit deductibles used by associations in their condo property insurance packages cannot exceed \$50,000, and (ii) condo associations, while still required to comply with their property insurance requirements detailed in Section 12 of the Illinois Condominium Property Act, will be provided some relief on insuring roofs for the entire replacement value (note, we recommend discussing the insurance requirements with the association's insurance professional to ensure compliance).

3. **Investor Concentration Limits** – Previously, Fannie Mae disqualified certain condo associations with a large concentration of investor-owned units (specifically, if more than 50% of the units were “investor-owned”). Fannie Mae has retired that particular requirement, thus allowing condo associations with a majority of rental units to be considered “warrantable” by Fannie Mae going forward.

Our clients should expect the level of detail required in the Fannie Mae disclosures to increase over the coming years, and for their association’s finances to be closely scrutinized by lenders and buyers. To that end, we recommend that each association (i) update its Fannie Mae Form 1076, (ii) ensure that the board is reviewing and updating Form 1076 on a routine basis, and (iii) work with management and the association’s attorney to determine what information can (and should) be provided to lenders during the unit purchase/underwriting process.

For any further questions, feel free to contact [Bartzen Rosenlund Kasten](#) at 312.450.6655 or info@brkchicago.com.