

TAG LENDING GROUP

CONDO CHEAT SHEET

SMART GUIDANCE. SMOOTHER CLOSINGS.

FANNIE MAE CONDO PROJECT REVIEW | 2026 UPDATE



LIMITED REVIEW HAS BEEN RETIRED

For loan applications dated August 3, 2026 or later, Fannie Mae no longer permits the Limited Review process.

Projects previously eligible for Limited Review must now use: **FULL REVIEW** or **WAIVER OF PROJECT REVIEW**, when eligible.



2-4 UNIT PROJECTS

WAIVER OF PROJECT REVIEW

Eligible new and established 2-4 unit condo projects may qualify for a Waiver of Project Review.



5-10 UNIT PROJECTS

WAIVER OF PROJECT REVIEW

Eligible new and established 5-10 unit projects may qualify when not part of a larger development or Master Association.



11+ ATTACHED UNITS

FULL REVIEW

Most attached condo projects with more than 10 units that do not qualify for another permitted review method should be evaluated under Full Review.



IMPORTANT:

An attached 5-10 unit project that is part of a larger development or Master Association generally requires Full Review. Detached condo units may also qualify for a Waiver of Project Review when eligible.



FLORIDA - IMPORTANT CHANGE

Fannie Mae retired the special requirement that new or newly converted attached condo projects in Florida automatically go through PERS solely because they are located in Florida.

Eligible Florida projects may now be reviewed through the lender-delegated Full Review process.



COMMON FULL REVIEW DOCUMENTS

- Current approved HOA budget
- Full Condo Questionnaire / Form 1076 or similar
- Master property and flood insurance, when applicable
- General liability and fidelity/crime insurance, when applicable
- Special assessment information
- Reserve study or inspection/engineering reports, when applicable
- CPM review/certification and lender underwriting documents

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FULL REVIEW ELIGIBILITY

KNOW THE NUMBERS

**90%****Established
Project Definition**

Generally, an established condo project must have 90% or more of total units conveyed, be 100% complete, have no additional phasing or annexation, and have HOA control turned over to unit owners.

**15%**
MAXIMUM**HOA Delinquencies**

No more than 15% of total project units may be 60 days or more past due on regular HOA/common expense assessments. The same 15% / 60-day test applies separately to each special assessment.

**20%****Single-Entity Limit
for 21+ Unit Projects**

For 21+ unit projects, a single entity generally may not own more than 20% of total units. For 11–20 units, the maximum is generally 2 units. For 5–10 unit projects that are part of a Master Association, the maximum is generally 2 units.

**50%****New Project Presale
Requirement**

For applicable new or newly converted projects, at least 50% of total units in the project or applicable legal phase generally must be conveyed or under contract to principal residence or second-home purchasers.

**35%**
MAXIMUM**Commercial /
Nonresidential Space**

Generally, no more than 35% of the condo project or building may be commercial space or allocated to mixed use.

**DEVELOPER-HELD RENTAL EXCEPTION**

A project may still qualify as established with fewer than 90% conveyed when the shortfall results from developer-held rental units and applicable requirements are met. Key requirements include: construction is 100% complete, no additional phasing or annexation, HOA control has transferred, developer-held rental units do not exceed 20%, HOA dues on developer-held units are current, and there are no active or pending special assessments.

**INVESTOR CONCENTRATION —
2026 CHANGE**

The former 50% investment-property concentration limit for established projects reviewed under Full Review for investor loans has been retired.

IMPORTANT: This does not eliminate Fannie Mae's single-entity ownership requirements.

**NUMBERS TO REMEMBER**

90% — Established project conveyance | **15%** — HOA delinquency limit | **20%** — Single-entity limit for 21+ unit projects
50% — New-project presale requirement | **35%** — Commercial/mixed-use limit

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CONDO INSURANCE | 2026 UPDATE

MASTER POLICY + FHA SINGLE-UNIT APPROVAL

**100%****MASTER PROPERTY INSURANCE**

The master property insurance coverage amount must equal at least 100% of estimated replacement cost of project improvements, including common elements and residential structures.

Acceptable evidence may include:

- Guaranteed replacement cost coverage
- Extended replacement cost coverage
- Insurer replacement-cost estimate
- Project insurance risk appraisal
- Statement from an insurer or qualified professional

**ROOF COVERAGE**

Roofs must be insured, but Fannie Mae no longer requires roofs to be insured on a replacement-cost basis.

**\$50,000****MAXIMUM PER UNIT****MASTER POLICY PER-UNIT DEDUCTIBLE**

The maximum allowable per-unit deductible for required property-insurance perils covered by a master property policy is \$50,000 per unit. Required for applicable loans with application dates on or after July 1, 2026.

**WHEN A UNIT-OWNER POLICY IS REQUIRED**

The borrower must maintain a unit-owner property insurance policy when: any portion of the unit interior or improvements is not covered by the master policy; or the master policy includes a per-unit deductible. The required coverage must generally be sufficient to cover the applicable uninsured interior/improvements or the per-unit deductible, whichever requirement applies.

FHA SINGLE-UNIT APPROVAL

FHA ONLY — Separate from Fannie Mae Project Review

FHA Single-Unit Approval may be available for an eligible individual condominium unit in a project that is not FHA-approved. Form HUD-9991 — FHA Condominium Loan Level/Single-Unit Approval Questionnaire is required as part of applicable SUA documentation.

**2026 FHA UPDATE**

Beginning May 26, 2026, FHA Connection can automatically assign case numbers for certain condominium projects with qualifying statuses, including certain projects shown as Expired or Rejected – Register SUA. Cases that cannot be automatically assigned continue through FHA's manual process.

**FHA CASE NUMBER
≠ CONDO APPROVAL**

Issuance of an FHA case number for SUA processing is not approval of the condominium unit or condominium project. The lender remains responsible for completing the applicable SUA review.

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CONDO BUDGET AND RESERVES



RESERVES ARE CHANGING

Fannie Mae is increasing the required minimum replacement-reserve allocation for applicable condo projects.



10%

Applications through January 3, 2027

Minimum replacement-reserve allocation of annual budgeted assessment income for applicable Full Reviews.



15%

Applications dated January 4, 2027 or later

Minimum replacement-reserve allocation of annual budgeted assessment income.



THE FORMULA

Annual Budgeted Replacement Reserve Allocation ÷ Annual Budgeted HOA Assessment Income × 100 =
RESERVE %



CURRENT EXAMPLE

Annual HOA Assessment Income:
\$100,000

Annual Reserve Allocation:
\$10,000

$\$10,000 \div \$100,000 = 10\%$

Meets the current minimum through January 3, 2027.



2027 EXAMPLE

Annual HOA Assessment Income:
\$100,000

Annual Reserve Allocation:
\$15,000

$\$15,000 \div \$100,000 = 15\%$

Meets the minimum for applicable Full Reviews beginning January 4, 2027.



RESERVE STUDY OPTION

A qualifying reserve study may be used under Fannie Mae requirements. When relying on a reserve study: use the most current acceptable reserve study or update; the study must generally be completed within 3 years of lender project approval; funded reserves must provide adequate financial protection; and the budget must include the highest recommended reserve allocation amount identified by the study.



BASELINE FUNDING METHOD — NOT PERMITTED

Fannie Mae no longer permits use of the baseline funding method—the method that allows reserve balances to approach but never fall below zero—to satisfy the applicable reserve exception.



KEY TAKEAWAY: 10% → 15% | JANUARY 4, 2027

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DEFERRED MAINTENANCE AND CPM



KNOW THE RED FLAGS

Deferred maintenance, unresolved repairs, and an Unavailable status in CPM can make an otherwise eligible condo project ineligible for financing.



CRITICAL REPAIRS

Projects in need of critical repairs may be ineligible when conditions materially affect: Safety, Soundness, Structural Integrity, Habitability, Financial Viability, and Marketability.

- Material deficiencies that could lead to system or structural failure
- Mold
- Water intrusion or potentially damaging leaks
- Advanced physical deterioration
- Failed mandatory structural or safety inspections/certifications
- Certain unfunded repairs costing more than \$10,000 per unit that should be undertaken within the next 12 months.

\$10,000
PER UNIT

Unfunded repair threshold to investigate.



ITEMS TO WATCH

- Seawalls
- Elevators
- Waterproofing
- Stairwells
- Balconies
- Foundations
- Electrical systems
- Parking structures
- Other load-bearing structures.



SPECIAL ASSESSMENTS

For each current or planned special assessment, determine: purpose, approval status, original amount, remaining amount, repayment/collection status, expected payoff date, and whether the assessment relates to a critical repair.

If the assessment is associated with a critical repair and the issue remains unresolved, the project is ineligible.



INSPECTION REPORTS

If a structural and/or mechanical inspection was completed within 3 years of the lender's project-review date, the lender must obtain and review the inspection report.

The report must not identify unresolved critical repairs, evacuation orders, or required regulatory actions.

If unresolved critical repairs are identified, the project remains ineligible until the required repairs are completed and appropriately documented.



CPM — CONDO PROJECT MANAGER

UNAVAILABLE = INELIGIBLE

Loans secured by units in projects with an Unavailable status in CPM are ineligible for purchase by Fannie Mae unless an applicable exception is obtained under Fannie Mae requirements.



KEY TAKEAWAY:

A strong borrower does not override an ineligible condo project.

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CONDO CRITICAL ISSUES

FINAL PROJECT CHECKLIST



1. PROJECT REVIEW

- ☐ Correct project-review method identified.
- ☐ Project size confirmed.
- ☐ Master Association identified.
- ☐ New vs. established status confirmed.
- ☐ CPM status reviewed.



2. FINANCIAL

- ☐ Current HOA budget reviewed.
- ☐ Required reserve percentage verified.
- ☐ Reserve study reviewed when applicable.
- ☐ HOA delinquency percentage within limits.
- ☐ Current and planned special assessments reviewed.



3. PHYSICAL CONDITION

- ☐ Deferred maintenance reviewed.
- ☐ Critical repairs investigated.
- ☐ Structural/mechanical inspection reports reviewed when applicable.
- ☐ Engineering reports reviewed when applicable.
- ☐ No unresolved evacuation orders or required regulatory actions.



4. INSURANCE

- ☐ Master property insurance reviewed.
- ☐ Coverage sufficiency confirmed.
- ☐ Master-policy per-unit deductible does not exceed \$50,000.
- ☐ Flood insurance reviewed when applicable.
- ☐ Unit-owner property insurance obtained when required.



5. OWNERSHIP / PROJECT

- ☐ Single-entity ownership reviewed.
- ☐ Commercial/nonresidential space within applicable limit.
- ☐ New-project presale requirement reviewed when applicable.
- ☐ Project documentation complete.
- ☐ No unresolved project-eligibility red flags.

FOUR BIG 2026–2027 CHANGES



AUGUST 3, 2026

LIMITED REVIEW
RETIRED

\$50,000

MAXIMUM PER-UNIT
MASTER POLICY
DEDUCTIBLE

JANUARY 4, 2027

FULL REVIEW
RESERVES INCREASE
TO 15%

3 YEARS

INSPECTION /
RESERVE-STUDY
LOOKBACK TO KNOW

FINAL REMINDER: Qualifying the borrower is only half the equation.
The condominium project must qualify too.



TAG Lending Group, LLC | NMLS #2329372

TAG TEAM Condo Cheat Sheet | Updated September 2026

For informational and training purposes only. This quick-reference guide does not replace the Fannie Mae Selling Guide, FHA Single Family Housing Policy Handbook, Desktop Underwriter findings, Condo Project Manager requirements, investor overlays, underwriting requirements, insurance requirements, or applicable federal or state law. Guidelines and investor requirements are subject to change. Always verify current agency and investor requirements before loan approval, commitment, or closing.