CONDO FINANCING CHANGES 2026

WHAT REALTORS NEED TO KNOW

WHAT'S CHANGING

Two major shifts take effect in 2026-2027, affecting which condo projects qualify for conventional financing:

- **Effective August 3, 2026:** Limited Review Retires
- Until now, lenders could use a streamlined 'Limited Review' for well-established condo projects. That option disappears. Every condo project—no matter how established or financially stable—must now undergo a complete Full Review with comprehensive HOA documentation.
- **Effective January 4, 2027:** HOA Reserves Must Reach 15%
- The minimum HOA reserve requirement jumps from 10% to 15% of annual budgeted income. Associations that don't meet this threshold lose 'warrantable' status—meaning conventional financing becomes unavailable.

WHAT THIS MEANS FOR YOUR DEALS

Properties that were once easily financeable may now face underwriting hurdles. Projects with weak or deferred reserve funding will become non-warrantable, cutting buyers off from conventional financing.

- **Longer timelines:** Lenders now need complete HOA packages for every project. Closing could take 7-10 business days longer.
- **Financing obstacles:** Buyers may face 20-30% down payment requirements and interest rates 1-2 percentage points higher if the project is non-warrantable.
- **Reduced marketability:** First-time and moderate-income buyers—the primary condo market segment—will be priced out.

QUESTIONS TO ASK BEFORE LISTING OR SHOWING

1. **Request the HOA's most recent reserve study and confirm reserve funding levels.** Is it at 15% or higher?
2. **Confirm total delinquency rates.** High delinquency can trigger financing denials regardless of reserves.
3. **Check master insurance coverage and per-unit deductibles.** Deductibles exceeding $50,000 per unit will create financing barriers.
4. **Identify any pending special assessments.** Large assessments can stall deals and reduce buyer interest.

KNOW THE RULES. EDUCATE YOUR BUYERS. STRENGTHEN YOUR PARTNERSHIPS.