Data Refuting FHFA's Claims on LL-2026-03: California-Specific Summary

Why California Demands Its Own Analysis

California is the largest condo market in the nation by association count and among the most consequential by unit value. California leads the nation with approximately 51,250 associations representing over 14 million residents. With a reserve study mandate already in state law and a recently enacted balcony inspection requirement (SB 326) that is already generating significant compliance pressure, California offers a uniquely rich evidentiary record that directly challenges both of FHFA's claims. It also presents a set of state-law constraints on assessment increases that create structural barriers to rapid compliance that FHFA appears not to have accounted for.
(https://ipropertymanagement.com/research/hoa-statistics)

Claim #1: Fewer than 10,000 Associations Would Struggle

99.85% of California Condo Associations Already Need More Than 10%

A 2021 study indicated that 99.85% of condo associations needed more than 10% of their budget for reserves. This is a direct and almost total refutation of FHFA's implication that the current 10% floor is adequate for most associations and that only a small fraction would be affected by moving to 15%. If virtually every association already requires more than the existing standard, then moving to 15% as a minimum floor -- without simultaneously requiring a qualifying reserve study -- will expose a substantial share of associations that have been funding only to the old 10% threshold and are now non-compliant. (https://www.reservestudy.com/resources/article/hoa-reserve-funds-how-to-properly-fund-reserves/)

California's Own State Agency Acknowledges Systemic Underfunding

This is not industry advocacy data. It comes from the California Department of Real Estate itself. The California Department of Real Estate's Reserve Study Guidelines acknowledge that most associations are currently underfunded in reserves, due to a lack of attention to reserve budgets in the past and underestimation of replacement costs. That language -- "most associations" -- in a government-issued guidance document is a direct contradiction of FHFA's characterization of the problem as narrow and limited.
(https://www.dre.ca.gov/files/pdf/re25.pdf)

The "Percent Funded" Reality for California Condos

Many older condo communities along the California coastline, particularly buildings constructed in the 1970s and 1980s, fall below recommended funding thresholds. The reasons are consistent across communities: dues were kept artificially low for years, reserve contributions were minimized to avoid homeowner pushback, and the gap between what was saved and what will eventually be needed continued to widen quietly. (https://www.missysellsoc.com/post/what-happens-when-condo-hoa-reserves-are-underfunded)

This is not a description of a narrow problem. It is a description of a pattern that has played out over decades across the state's largest urban condo markets -- Los Angeles, San Diego, San Francisco, and the Bay Area.

The Fannie Mae Unavailable List Is Growing Rapidly

Fannie Mae keeps a list of condos unavailable for its financing. Industry sources indicate there are approximately 4,500 condo associations across the nation on the unavailable list, and that list is growing by 200-400 HOAs per month. At that growth rate, the number of affected associations will have increased by 2,400-4,800 in the time between LL-2026-03's issuance and the January 4, 2027 effective date of the reserve requirement alone -- before the new, stricter standard takes full effect. This trajectory is incompatible with FHFA's claim that the problem is limited to under 10,000 associations nationwide. (https://www.mortgagegrader.com/blog/californias-balcony-law-and-fannie-mae-standards-could-push-condo-fees-higher)

SB 326 Compliance Is Already Revealing the Scope of the Problem

California's SB 326 balcony and elevated structure inspection law, with a compliance deadline extended to January 1, 2026, is serving as a forcing function that is exposing the depth of deferred maintenance across the state's condo inventory. Industry practitioners performing SB 326-related inspections report that 80% of inspected balconies need some repair, at costs ranging from $10,000 to $25,000 per balcony. The largest known special assessment arising from these findings was $175,000 per unit.

Special assessments of $40,000 to $60,000 per unit are becoming common in California communities addressing deferred maintenance for roofs, elevators, pools, and building facades in connection with compliance requirements. (https://www.lscarlsonlaw.com/articles/preparing-for-2026-hoa-law-changes-homeowners-guide)

These are not the financial profiles of associations that can absorb a mandated reserve increase as a marginal budget adjustment.

Claim #2: Monthly Dues Would Only Increase $15-$30

California's High Cost Structure Multiplies the Impact

FHFA's $15-$30 monthly estimate treats all associations as if they operate in similar cost environments. California explicitly does not. Construction costs, labor rates, and property values in California's coastal metropolitan markets are among the highest in the country. Reserve contributions must be sized to replace actual components at actual replacement costs. A California association facing a roof replacement, elevator modernization, or building facade restoration in Los Angeles or San Francisco is budgeting at cost levels that bear no resemblance to a national average.

The Association Reserves 2026 Industry Insights Report notes that the inflationary environment of 2021-2024 increased replacement costs faster than many associations adjusted their budgets, and that adequate reserve funding now represents 15-45% of an association's total annual budget. An association required to jump from 10% to even the lower end of that range -- without having a qualifying reserve study -- faces a budget impact that in California dollar terms can translate to hundreds of dollars per unit per month, not $15-$30. (https://www.reservestudy.com/wp-content/uploads/2026/05/2026-04-29-100000-Industry-Insights-Report-FINAL.pdf)

Balcony Repair Costs Alone Dwarf FHFA's Estimate

SB 326 balcony repairs run $10,000-$25,000 per balcony, and the largest known single-building special assessment arising from SB 326 findings reached $175,000 per unit. Amortized even over ten years, a $175,000 special assessment translates to $1,458 per month per unit -- nearly 100 times FHFA's stated monthly cost estimate. The $10,000-$25,000 per balcony repair cost range, for a building with 50 units each having a balcony, generates a total project cost of $500,000-$1,250,000. For a 50-unit building, that is $10,000-$25,000 per unit before any other deferred maintenance is addressed.

The Davis-Stirling Disclosure Requirement Creates Visibility -- and Market Pressure

Unlike Texas, California already requires annual disclosure of reserve funding levels to all owners and prospective buyers under Civil Code Section 5300. California HOA reserve requirements mandate that associations disclose a summary of reserves in their annual report, so low funding levels are visible to owners and buyers. This means that once a California association's reserve study reflects the need to move to the "highest

recommended allocation" under LL-2026-03, that requirement becomes visible on every resale transaction. Buyers and their agents will see it. Lenders will flag it. The market pressure to comply will be immediate and cannot be quietly deferred -- and the resulting dues increases will not be $15-$30. (https://www.fsresidential.com/california/news-events/articles/hoa-reserves-beyond-the-basics/)

California-Specific Legal Barriers to Timely Compliance

California's compliance challenges are different in character from Texas's (no baseline infrastructure) or Florida's (active conflict between state and federal standards). In California, the barriers arise from a statutory framework that was designed to protect homeowners from sudden, large cost increases -- the very protection FHFA's timeline would require associations to override in a compressed period.

The 20% Annual Cap on Regular Assessment Increases

This is the most significant structural barrier to rapid compliance in California. Under the Davis-Stirling Act, a California HOA board may increase regular assessments by up to 20% above the preceding fiscal year's assessment without a member vote. Any increase exceeding 20% requires approval by a majority of a quorum of members. (https://effortlesshoa.com/blog/hoa-laws-california)

For associations that are significantly underfunded -- running reserve contributions well below 15% of budget -- a single-cycle increase to the required level may exceed 20% of prior assessments, triggering the member vote requirement. The process for calling a member vote, providing proper notice, and achieving a quorum is not quick. Any assessment increase requires 30-60 days' notice to members under Civil Code Section 5615. For associations that fail to achieve a quorum at the initial meeting, the process extends further. (https://blog.propty.io/davis-stirling-compliance-checklist-california-hoa-guide)

In practical terms: a California condo association that discovers in August 2026 that its current reserve contribution is at 8% of budget and needs to reach 15% may need a member vote, which cannot be properly noticed and completed before the January 4, 2027 deadline.

The 5% Cap on Special Assessments Without a Vote

California Civil Code Section 5605(b) limits special assessments to no more than 5% of the association's budgeted gross expenses for that fiscal year, unless approved by a majority of the membership. This means that even if a board recognizes the need to fund a reserve

shortfall through a special assessment rather than a dues increase, it is legally constrained in how much it can impose without member approval -- and the member approval process carries its own 30-60 day notice window. (https://www.lscarlsonlaw.com/articles/hoa-special-assessment-limits-in-california-homeowner-protections)

This cap is specifically designed to prevent associations from making large unilateral financial demands on owners. In the context of LL-2026-03 compliance, it functions as a hard ceiling on how quickly boards can close a reserve gap through emergency funding mechanisms.

No Reserve Funding Minimum in State Law

Despite having one of the most comprehensive reserve study frameworks in the country, California imposes no statutory minimum reserve funding percentage. California Civil Code Section 5560 requires boards to adopt a formal funding plan, but the law does not mandate a specific funding percentage such as 70% or 100% funded. This means that California boards have operated for decades within a framework that mandates study and disclosure but leaves the actual funding level to board discretion. Many have exercised that discretion conservatively -- keeping dues low and funding reserves at minimal levels. Those boards now face a federal lending standard that effectively does set a minimum, and the state law framework gives them limited tools to comply quickly. (https://www.smartproperty.com/reserve-requirements-and-funding/california)

AB 2050 and the Coming Dual Standard

A pending California bill, AB 2050, would require associations to fund reserves based on long-term 30-year projections rather than any fixed percentage. California's AB 2050 proposes to require associations to fund reserves based on long-term projections to ensure balances never fall below zero over a 30-year period, rather than relying on a simple percentage. If AB 2050 passes, California associations will face a three-way standard: the state's Davis-Stirling study requirement, AB 2050's 30-year projection mandate, and FHFA's 15% minimum floor. These three frameworks are not harmonized and will likely produce conflicting funding plans for many associations. (https://hoalaw.tinnellylaw.com/what-condo-associations-need-to-know-about-fannie-maes-reserve-changes-and-californias-ab-2050/)

SB 326 Is Already Consuming Board and Financial Capacity

California condo boards currently trying to comply with LL-2026-03 are doing so in a context where SB 326 balcony inspections have simultaneously imposed new disclosure obligations, repair liabilities, and reserve study revision requirements. SB 900 (effective January 1, 2025) expanded the list of components a reserve study must cover to include

gas, water, and electrical systems, meaning boards relying on pre-2024 reserve studies must update their studies to cover the expanded component list before they can even determine whether they meet the "highest recommended allocation" standard under LL-2026-03. (https://boardstack.app/hoa-compliance/california/)

The administrative and professional capacity required to execute a reserve study update, incorporate SB 326 and SB 900 inspection findings, recalculate the highest recommended allocation, revise the annual budget to reflect it, provide proper member notice, obtain any required member votes, and implement the new assessment level -- all before January 4, 2027 -- is beyond what many self-managed and small-board California associations can realistically execute.

Inspector Shortage Has Already Delayed Compliance

This is documented in the legislative record. The original SB 326 deadline of January 1, 2025 was extended to January 1, 2026 due to inspector shortages and high demand. AB 2114 was signed in July 2024 to expand the pool of qualified inspectors to include licensed civil engineers in order to ease compliance pressure. The fact that California's legislature had to extend a statutory deadline and expand the inspector qualification pool to address backlog demonstrates that the professional services infrastructure required for compliance is already operating near or at capacity. Adding simultaneous national demand for reserve study updates under LL-2026-03 will not improve that situation. (https://managecasa.com/articles/california-hoa-law-changes-2026)

California Data Points for Congressional Letters

The following are directly citable, sourced figures for legislative correspondence:

1. **99.85% of condo associations already require more than 10% of budget for reserves** per a 2021 study by Association Reserves, making FHFA's claim that fewer than 10,000 associations nationwide would struggle mathematically implausible.
2. **California's own Department of Real Estate acknowledges that "most associations" are currently underfunded**, in its own published reserve study guidelines -- direct government-source language contradicting FHFA's claim.
3. **The Fannie Mae unavailable project list is growing by 200-400 associations per month nationally**, suggesting the compliance problem is large, accelerating, and not bounded by FHFA's figure of under 10,000.

4. **80% of California balconies inspected under SB 326 need repair**, at $10,000-$25,000 per balcony, with documented special assessments as high as $175,000 per unit -- a cost reality that makes FHFA's $15-$30 monthly estimate indefensible as a characterization of typical impact.
5. **California law caps regular assessment increases at 20% per year without a member vote**, and caps special assessments without a vote at 5% of annual budgeted gross expenses. Many underfunded California associations cannot legally comply with LL-2026-03's timeline without member approval processes that the statutory framework makes impossible to complete before January 4, 2027.
6. **California reserve studies must now incorporate SB 326 and SB 900 inspection findings** -- balconies, decks, gas lines, water lines, and electrical systems added in recent legislation -- meaning associations cannot simply reuse existing studies to determine "highest recommended allocation" compliance. New or updated studies are required, and the inspection infrastructure to support them is already backlogged.
7. **AB 2050, if enacted, will create a three-way conflict** between California state reserve requirements, FHFA's percentage-based standard, and the proposed 30-year cash-flow projection mandate -- a compliance environment that would require federal and state coordination California has not yet undertaken.

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