November 19, 2026

The Honorable William J. Pulte
Director
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Re: Request for One-Year Delay in Implementation of Increased Condominium Association Reserve Requirements

Dear Director Pulte:

On behalf of the undersigned housing, mortgage, real estate, and community association organizations, we are writing to express serious concerns regarding the upcoming increase in condominium association reserve requirements from 10 percent to 15 percent of annual budgeted assessment income, scheduled to take effect January 4, 2027, under Fannie Mae and Freddie Mac condominium project eligibility requirements.

We recognize and support the importance of financially sound condominium associations, adequately funded reserves, and protecting homeowners and mortgage investors from the risks associated with deferred maintenance. However, we believe the timing and implementation of this significant policy change warrant further consideration.

We respectfully request that FHFA direct Fannie Mae and Freddie Mac to delay implementation of the increased reserve requirement for one year, until January 4, 2028. This additional time would allow the industry, condominium associations, and other affected stakeholders to address significant implementation challenges, better understand the potential consequences, and develop a more workable transition.

We encourage FHFA to use the additional implementation period to evaluate the projected impact of the increased reserve requirement on condominium project eligibility rates, mortgage credit availability, borrower affordability, and refinance opportunities across project types and markets. Condominium project eligibility has already declined following recent changes to project review requirements, including the elimination of Limited Review options. Because project eligibility determines access to conventional financing, assessing the cumulative impact of these changes would help ensure the new reserve requirement meets its intended objectives without unnecessarily restricting mortgage availability or financing options for condominium owners and prospective buyers.

There are three principal reasons for our request.

1. Significant implementation and preparedness issues remain unresolved.

Increasing the minimum reserve allocation is not simply an administrative adjustment. It has implications for association budgets, reserve studies, annual assessments, financial planning, and the ability of condominium boards to communicate and implement changes with homeowners.

Many associations operate on annual budget cycles and cannot readily make mid-cycle adjustments. Others may need updated reserve studies, board approvals, homeowner consultation, or compliance with state-specific statutory and governance requirements before changing their funding practices.

There are also important questions that warrant further clarification, including:

- How the new requirement will apply to existing association budgets and recently completed reserve studies.
- How associations undertaking major capital improvements or already funding substantial repairs should be treated.
- How existing reserve balances and alternative funding arrangements can be considered in determining compliance.
- How differences in state laws, reserve study requirements, and association governance procedures will be accommodated.
- What transition provisions or exceptions will be available to associations that demonstrate responsible financial planning but cannot immediately meet the new percentage.

Lenders, servicers, condominium management companies, and other industry participants also need adequate time to update systems, underwriting procedures, project reviews, and communications with borrowers and associations.

These are not minor implementation details. They directly affect whether associations can reasonably comply and whether otherwise financeable condominium projects remain eligible for conventional mortgage financing.

2. The change could have unintended consequences for condominium financing and housing availability.

The financial condition of a condominium association is an important component of mortgage eligibility. If an association cannot meet the new reserve requirement or an applicable reserve study alternative, its project could encounter difficulties qualifying for Fannie Mae or Freddie Mac financing.

A project that becomes ineligible for conventional financing will have a smaller pool of potential buyers. Existing homeowners seeking to sell or refinance could face additional obstacles, and reduced financing options could negatively affect resale values.

The impact could be especially pronounced in older condominium buildings, smaller communities, and associations with more modest-income homeowners. These associations may have legitimate financial and operational challenges that cannot be resolved simply by increasing monthly assessments on a short timetable.

We are particularly concerned that the industry could see an increase in condominium projects that fall outside conventional financing eligibility, even where the underlying properties are fundamentally sound and associations are taking responsible steps to address their long-term maintenance needs.

The transition should not inadvertently create a new barrier to condominium ownership or reduce the availability of mortgage financing for otherwise qualified borrowers.

3. The increased requirement adds costs at a particularly difficult time for housing affordability.

Homeowners and prospective buyers are already facing elevated housing costs, including mortgage payments, property taxes, insurance premiums, maintenance expenses, and association fees.

Fannie Mae has indicated that the increased reserve requirement could add an average of approximately $13 to $14 per month for condominium owners. While that may appear modest in isolation, the actual impact will vary considerably by community. Some associations could face substantially larger funding adjustments, depending on their existing reserve contributions, financial condition, and funding strategies.

Higher assessments also affect mortgage qualification because lenders must account for condominium association dues when evaluating a borrower's monthly housing expenses and debt-to-income ratio. Even relatively modest increases can affect the purchasing power of borrowers who are already close to qualifying limits.

For existing homeowners, particularly those on fixed or modest incomes, higher assessments can create additional financial pressure. For prospective buyers, the added monthly cost can make an otherwise affordable condominium less attainable.

We believe that strengthening condominium financial health and maintaining housing affordability should be complementary objectives. The transition to higher reserve requirements should be carefully managed to avoid unnecessarily restricting access to homeownership or placing additional financial pressure on existing homeowners.

A constructive path forward

We believe a one-year delay would provide a reasonable and constructive opportunity for FHFA, Fannie Mae, Freddie Mac, lenders, condominium associations, and other stakeholders to work through these issues.

During that period, we encourage FHFA to convene affected stakeholders to:

- Evaluate the operational and financial implications of the higher requirement across different types and sizes of condominium associations.
- Clarify the treatment of existing reserve studies, funded reserves, capital improvement plans, and alternative funding arrangements.
- Assess the potential impact on condominium project eligibility, mortgage availability, and borrower affordability.
- Develop practical transition provisions and appropriate flexibility for associations that are making responsible progress toward adequate reserve funding.
- Improve communication and implementation guidance so that associations, lenders, and homeowners have sufficient time to prepare.

Importantly, our request is not an objection to the objective of responsible reserve funding. Rather, it reflects the industry's concern that a significant policy change with direct consequences for homeowners, condominium associations, and mortgage availability should be implemented with sufficient preparation and a clear understanding of its potential effects.

We respectfully urge FHFA to provide a one-year extension, moving the effective date to January 4, 2028. We would welcome the opportunity to meet with you and your staff to discuss these concerns and work toward an approach that supports financially sound condominium communities without creating unnecessary disruption or additional barriers to housing affordability.

Thank you for your consideration and your continued leadership on issues affecting the nation's housing finance system.

Sincerely,

COMMUNITY ASSOCIATIONS INSTITUTE

COMMUNITY ASSOCIATION ROUNDTABLE

COMMUNITY HOME LENDERS OF AMERICA

HOUSING POLICY COUNCIL

NATIONAL ASSOCIATION OF MORTGAGE BROKERS

Cc: Peter Akwaboah, Acting CEO, Fannie Mae
Cc: Kenny M. Smith, CEO, Freddie Mac

ATTACHMENT: RESERVE REQUIREMENT –
POTENTIAL INDUSTRY IMPACTS

Attachment:

Condominium reserve requirement – Potential industry impacts

Background

Effective January 4, 2027, Fannie Mae and Freddie Mac are increasing the minimum reserve allocation for applicable condominium project reviews from 10 percent to 15 percent of annual budgeted assessment income.

Fannie Mae estimates that this change will add approximately $13–$14 per month, on average, to condominium owners' costs. However, the actual impact will vary by association, depending on its existing reserve contributions, financial position, and funding strategy.

1. Illustrative homeowner cost impacts

The following examples illustrate how an additional five percentage points of annual assessment income allocated to reserves could translate into additional monthly costs if the entire increase is funded through regular assessments.

Average monthly HOA dues	Additional monthly cost	Additional annual cost
$300	$15	$180
$500	$25	$300
$800	$40	$480

These are illustrative scenarios, not estimates of actual increases for individual associations. Existing reserve balances, other funding sources, and reserve study alternatives may affect the amount ultimately required.

2. Illustrative condominium association impact

Consider a 100-unit condominium association with average monthly assessments of $500.

- Annual assessment income: $600,000
- Current 10% reserve allocation: $60,000
- New 15% reserve allocation: $90,000
- Additional annual reserve funding: $30,000
- Average additional monthly amount per unit: $25

For a community already confronting rising insurance premiums, maintenance costs, and other operating expenses, this additional funding requirement could require meaningful assessment increases.

3. Potential consequences for mortgage financing

Condominium project eligibility is directly connected to the availability of conventional mortgage financing.

Associations unable to satisfy applicable reserve requirements or qualify under an alternative reserve study provision may encounter difficulties maintaining GSE project eligibility. Potential consequences include:

- Fewer eligible mortgage products for prospective condominium buyers.
- Reduced pool of qualified purchasers.
- Additional challenges for existing homeowners seeking to sell or refinance.
- Potential pressure on condominium resale values.
- Greater reliance on non-agency or portfolio financing, which may be more expensive or less readily available.

These consequences warrant careful evaluation before implementation.

4. Implementation challenges requiring additional time

A one-year delay would allow associations, lenders, and industry participants to address several important issues:

- Annual budget cycles and the timing of association assessments.
- Existing reserve studies and the requirements for updating them.
- Treatment of associations undertaking major capital improvements.
- State-specific statutory requirements and association governance procedures.
- Treatment of existing reserve balances and alternative funding arrangements.
- Lender systems, underwriting procedures, project review processes, and borrower communications.

5. Recommended approach

The coalition supports responsible reserve funding and the long-term financial health of condominium communities. However, implementation should be practical, predictable, and sensitive to housing affordability.

We recommend that FHFA:

1. Direct Fannie Mae and Freddie Mac to delay the increased reserve requirement for one year, until January 4, 2028.
2. Convene industry stakeholders to evaluate implementation and affordability concerns.
3. Clarify reserve study alternatives, existing budget treatment, and transition provisions.
4. Evaluate potential consequences for condominium project eligibility and mortgage availability.
5. Develop appropriate flexibility for associations demonstrating responsible financial planning and progress toward adequate reserves.