

Fannie Mae LL-2026-03: The Case for Pausing the Reserve Requirement Increase and Limited Review Retirement

NAMB SUPPORTS (Implement Promptly)

- Easing of property insurance requirements
- Removal of investor concentration restrictions
- Simplification of standards for smaller projects
- Expansion of pre-sale flexibility for new construction

NAMB REQUESTS PAUSE (Pending Data)

- Retirement of Limited Review for established condo projects (eff. August 3, 2026)
- Increase in minimum HOA reserve requirement from 10% to 15% of annual budget (eff. January 4, 2027)

FHFA'S CLAIMS vs. THE DATA

FHFA CLAIM	WHAT INDEPENDENT DATA SHOW
Fewer than 10,000 of 160,000 associations would struggle with 15% requirement. Data is proprietary -- not available for review.	74% of associations are below the industry-standard 70% funded threshold (Association Reserves, 100,000+ study analysis). 62% of HOAs lack fully funded reserves (CAI 2023). California's own Dept. of Real Estate states 'most associations are currently underfunded.' The Fannie Mae unavailable project list grows by 200-400 associations per month nationally.
Monthly dues increase would be \$15-\$30 per unit.	Documented real-world costs: Florida Miami-Dade high-rises +\$500/month; one FirstService Residential client: \$750/unit/month in reserve contributions alone; South Carolina special assessments documented at \$125,000-\$1.35 million per unit; California SB 326 assessments up to \$175,000/unit; Ohio: \$27,000 assessment on a \$170,000 condo.

THE FIRST-TIME BUYER CRISIS: WHY TIMING MATTERS

21% First-time buyer market share (2025) -- lowest since 1981	40 yrs Median age of first-time buyer -- all-time high	\$150K Foregone equity from 10-year ownership delay (typical starter home)
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LIMITED REVIEW RETIREMENT: KEY FACTS

- In South Florida, fewer than 10% of loans submitted for Full Review receive condo approval and close. Under Limited Review, approvals are several times more likely.
- Self-managed and volunteer-governed associations cannot produce Full Review documentation -- not because they are distressed, but because the process assumes professional management infrastructure they do not have.
- Non-warrantable status eliminates conforming loans, collapses buyer pools, suppresses values, and prevents existing owners from refinancing.

STATE-BY-STATE LEGAL BARRIERS TO COMPLIANCE

- CA: 20% regular / 5% special assessment caps without member vote (Civil Code 5605)
- CO/NY: Compounding Local Law 97 / insurance obligations consuming same board capacity
- FL: Baseline funding conflict; SIRS deadline Jan. 2027 leaves zero transition time
- NV/UT: 5-6 yr state study cycles vs. 3-yr Fannie Mae lookback -- built-in gap
- OH: Annual majority vote legally waives all reserve requirements (ORC 5311.081)
- SC: No mandate; pending state bill proposes 10-year phase-in vs. FHFA's 10 months
- TX: No reserve study mandate; no minimum funding requirement; one budget cycle to comply

NAMB'S FOUR REQUESTS

1. Pause Limited Review retirement pending quantified impact analysis by loan type, borrower income, and geography.	2. Pause 15% reserve threshold pending state-by-state analysis of compliance feasibility and actual cost impact.	3. Publish clear transition guidance: documentation standards, interim treatment of 10%-compliant projects, and defined cure periods.	4. Release FHFA's survey methodology and data for independent review. Impact claims affecting millions of homeowners must be verifiable.
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NAMB does not oppose strong reserve requirements. We oppose their implementation on a timeline that state law, market conditions, and documented financial reality make impossible for millions of American homeowners to meet. **We urge Congress to call on FHFA to pause, analyze, and engage before August 3, 2026.**