



Protecting Condominium Access for American Homebuyers:

NAMB Calls for a Pause on the Retirement of the Limited Review Process and the Increase of HOA Reserve Funding Requirements to 15 Percent

In Response to FHFA Announcement and Fannie Mae Lender Letter LL-2026-03, March 18, 2026

I. Executive Summary

The National Association of Mortgage Brokers (NAMB) welcomes the Federal Housing Finance Agency's March 18, 2026 announcement directing Fannie Mae and Freddie Mac to modernize homeowners insurance requirements and condominium project eligibility standards.^{4 5 6} NAMB strongly supports the easing of property insurance requirements, the removal of investor concentration restrictions, the simplification of standards for smaller projects, and the expansion of pre-sale flexibility for new construction.

However, NAMB has serious and substantiated concerns regarding two specific provisions embedded in Lender Letter LL-2026-03 and the corresponding Freddie Mac bulletin:

- The complete retirement of the Limited Review process for established condominium projects, effective August 3, 2026; and
- The increase of the minimum HOA reserve funding requirement from 10 percent to 15 percent of the annual budget, effective January 4, 2027.

NAMB respectfully urges FHFA, Fannie Mae, and Freddie Mac to pause implementation of these two provisions until a rigorous, data-driven analysis has been completed regarding their projected impact on condo loan origination volume, housing affordability, and first-time homebuyer access — particularly in states such as Florida and California, where overlapping state law requirements and severe insurance market disruption create compounding financial pressure on condominium associations and unit owners.

The data are unambiguous: first-time homebuyers are already in crisis. Any policy change that further restricts access to condominium financing — the primary gateway to homeownership for entry-level buyers — risks compounding an affordability emergency that is already reshaping the American Dream.

II. The First-Time Homebuyer Crisis Demands Protection, Not Additional Barriers

The mortgage professionals who comprise NAMB's membership work daily with the buyers most dependent on the condominium market. The data presents a stark picture of where those buyers currently stand:

First-Time Homebuyer Indicator	Current Data
First-time buyer market share (2025)	21% — lowest on record since 1981
Historical norm (pre-Great Recession)	~40% of all home purchases
Median age of first-time buyer (2025)	40 years — all-time high

Market share contraction since 2007	50% decline
Equity loss from 10-year delay in homeownership	~\$150,000 on a typical starter home
Median first-time buyer down payment	9% vs. 23% for repeat buyers

Sources: ¹ ²

These numbers reflect a housing market in which first-time buyers have been systematically squeezed by rising prices, elevated mortgage rates, and shrinking inventory. Condominiums remain the most viable and affordable entry point into homeownership in the vast majority of American markets. The retirement of the Limited Review process and the increase in reserve thresholds will make that entry point harder to reach — not easier.

The NAR's 2025 Profile of Home Buyers and Sellers found that first-time buyers have seen their share of the market contract by 50 percent since 2007.¹ The report further notes that delayed homeownership — from the historic norm of the late 20s to today's median of age 40 — costs the typical first-time buyer approximately \$150,000 in foregone equity.² These are not abstract statistics. They represent real families who will be locked out of homeownership entirely if the only affordable financing pathway to a condominium is eliminated.

III. The Retirement of the Limited Review Process: A Critical Misstep

A. What Limited Review Has Provided

The Limited Review process has served as the practical backbone of condominium financing for established properties across the United States. Under this framework, lenders could originate conforming loans in established condominium projects without requiring the full suite of HOA documentation — annual budgets, reserve studies, meeting minutes, litigation disclosures, and detailed financial statements — that Full Review demands.

Limited Review was not a shortcut. It was a calibrated, risk-appropriate standard that recognized the different risk profile of established projects versus new construction or recently converted buildings. These are communities with functioning associations, documented ownership histories, and years of operating track records. The streamlined approach enabled mortgage brokers to serve buyers in these communities efficiently, predictably, and at scale.

B. Full Review: Barriers to Access, Not Better Risk Management

Full Review under the Condo Project Manager (CPM) system imposes a dramatically higher documentation burden. Lenders must enter detailed project data into CPM, obtain and review HOA budgets and reserve studies, evaluate pending litigation, assess deferred maintenance status, and confirm reserve adequacy, among numerous other requirements.⁸ The result is not merely more paperwork. It is a process that will structurally exclude a significant segment of otherwise sound and well-established condominium communities from conventional financing.

Industry experience in South Florida — one of the nation's largest condo markets — demonstrates that fewer than 10 percent of loans submitted for Full Review receive approval and close. Under Limited Review, approvals are several times more likely.⁸ The August 3, 2026 deadline does not phase in this change — it eliminates the entire Limited Review pathway in a single step.

The consequences are foreseeable and severe. When a Full Review fails — because the HOA cannot produce required documentation, because reserves fall short, or because the lender cannot obtain timely data from a self-managed or understaffed association — the buyer loses the transaction. For a first-time buyer, there is no portfolio product fallback and no jumbo alternative. The purchase fails, and the homeownership opportunity is gone.

C. The Documentation Gap: Self-Managed and Smaller HOAs Face Systemic Disadvantage

A disproportionate share of affordable condominium communities are self-managed or governed by volunteer boards with limited administrative capacity. These associations often cannot produce documents in the format, detail, or timeline that Full Review requires — not because their properties are financially distressed, but because they lack the professional management infrastructure assumed by the Full Review framework. The retirement of Limited Review will effectively render these communities non-warrantable, not because they present elevated risk, but because they cannot navigate a bureaucratic process designed for larger, professionally managed developments.

D. Non-Warrantable Status: The Cascading Effect

When a condominium project becomes non-warrantable, the consequences extend well beyond the immediate transaction.⁹ Non-warrantable status:

- Eliminates access to conforming loans, forcing buyers toward portfolio products with higher interest rates and larger required down payments.
- Reduces the buyer pool dramatically, as most first-time buyers cannot qualify for or afford non-conventional financing terms.
- Suppresses property values, as limited financing options create downward pricing pressure even in financially sound buildings.
- Creates instability for existing unit owners, who face difficulty refinancing or selling their homes in the affected community.

NAMB urges FHFA to commission a specific, quantified analysis of the projected impact of the Limited Review retirement on non-warrantable status — and to make the results of that analysis available before the August 3, 2026 effective date.

IV. The 15 Percent Reserve Requirement: Compounding an Already Acute Crisis

A. The Existing Standard and the Proposed Increase

Under current GSE guidelines, condominium projects must allocate a minimum of 10 percent of the annual operating budget to a reserve account in order to qualify for conventional financing.⁵ Fannie Mae Lender Letter LL-2026-03 increases this threshold to 15 percent of the annual budget, effective January 4, 2027. This 50 percent increase in the required reserve funding ratio may appear modest in isolation. In the environments of Florida and California — where condominium associations are already navigating severe insurance disruption, new structural inspection mandates, and assessment increase constraints — it is anything but modest.

B. The Florida Case Study: Compounded Pressure in the Nation's Largest Condo Market

Florida is home to approximately one-fifth of all condominium units in the United States.¹¹ It is therefore the single most consequential state market for understanding the real-world impact of any shift in condo financing standards. The current data paint a deeply concerning picture:

Florida Condo Market Indicator	Current Data
Condo price decline (H1 2025 vs. H1 2023)	Down 10.8% (vs. -3.6% for SFH)
Condo inventory	Over 9 months of supply

Closed condo sales year-over-year (March 2025)	Down 0.7%; inventory up 38%
Florida condo owners facing special assessments (last 3 years)	40%
HOA fee increase — Miami (3 months ending July 2024)	More than 5%
HOA fee increase — Tampa (same period)	More than 17%
Monthly HOA fee increase, Miami-Dade high-rises (2025)	~\$500/month
Insurance component of monthly HOA fees, Miami-Dade	~\$377/month average
Full Review condo loan approval rate, South Florida	Fewer than 10%

Sources: [11](#) [12](#) [13](#) [17](#) [8](#)

These numbers reflect a market already in structural repricing driven almost entirely by escalating ownership costs. The increase in reserve requirements does not exist in a vacuum — it will land on top of an already-distressed cost environment that is actively driving buyers out of the Florida condo market.

State Law Conflict: Florida's 115 Percent Assessment Cap

Florida Statute §718.112(2)(e)(2)(a) provides that if a condominium association's proposed budget requires assessments exceeding 115 percent of the prior fiscal year's assessments, unit owners may challenge the budget and force a vote on a revised alternative.¹⁵ While insurance premiums and SIRS-mandated reserves are excluded from this calculation, the practical effect of the 115 percent framework is to create meaningful political and procedural friction around any rapid assessment increase — including those driven by the need to achieve the proposed 15 percent reserve threshold.

Florida associations that are currently at or near the existing 10 percent reserve threshold must simultaneously: (1) increase reserves to 15 percent to preserve warrantable status; (2) comply with Florida's SIRS mandates, which require fully funded structural reserves and cannot be waived beginning December 31, 2024;¹⁶ (3) manage skyrocketing insurance premiums that have effectively doubled or more in many coastal markets; and (4) navigate unit owner resistance to assessment increases — resistance that intensifies as total monthly ownership costs climb toward and in some cases exceed \$2,000 per month in affected buildings.¹²

A leading Florida condo management firm reported that one association it manages required \$4.17 million in year-one catch-up reserve contributions, with ongoing reserve funding obligations of \$750 per unit per month — in addition to standard HOA fees.¹⁴

C. The California Case Study: Insurance Crisis, Assessment Caps, and SB 326 Compliance Costs

California presents a distinct but equally urgent dimension of the reserve requirement problem. California condominium associations are operating under the Davis-Stirling Common Interest Development Act, which imposes its own set of reserve study, inspection, and financial disclosure requirements.²³ ²⁴ Layered on top of a severe insurance affordability crisis — driven by wildfire exposure across much of the state — and a structural inspection mandate under SB 326,²⁵ California HOAs face a compounding financial burden that makes the proposed GSE reserve increase particularly difficult to absorb.

California Condo Market Indicator	Current Data
Median HOA fee — San Francisco metro (2025)	\$502/month (up from ~\$360 in 2019)

Median HOA fee — Los Angeles metro (2025)	\$429/month
Median HOA fee — California statewide	~\$336/month
Bay Area HOA fee increase (2019–2024)	30% — outpacing 22% inflation
Sacramento HOA fee increase (recent period)	13.1%
California associations seeing insurance cost increases	Over 90%
Typical HOA insurance premium increase in one year	Up to 40%
California households that can afford median-priced condo (~\$650K)	27%
California households that can afford median-priced SFH (~\$887K)	17%
California Housing Affordability Index (Q4 2025)	18% — 82% of households priced out

Sources: [19](#) [18](#) [20](#) [22](#) [23](#)

The affordability data underscore why condominiums are essential for California's first-time buyer population. While only 17 percent of California households can afford the median-priced single-family home, 27 percent can afford the median-priced condo.²¹ The condo is not merely a preference for many California first-time buyers — it is the only ownership option within reach. Policies that increase the cost or financing complexity of condo ownership in California do not push first-time buyers toward single-family homes. They push them out of homeownership entirely.

State Law Conflict: California's 20 Percent Assessment Cap

California Civil Code §5605(b) imposes its own structural constraint on the speed at which HOAs can respond to new financial requirements. Under the Davis-Stirling Act, an HOA board may not impose a regular assessment more than 20 percent greater than the prior fiscal year's regular assessment without approval of a majority of a quorum of members.²³ Any increase beyond that threshold requires a member vote — a process that can take months to execute and that may fail entirely in associations where members are resistant to fee increases already straining household budgets.

For California associations operating at or near the existing 10 percent GSE reserve floor, achieving the proposed 15 percent threshold may require assessment increases that trigger the §5605(b) membership approval process — particularly when combined with rising insurance premiums, SB 326 inspection costs, and other mandated expenditures. California associations with deed-restricted affordable units face an even tighter statutory constraint: under AB 572, those units are limited to assessment increases of no more than 5 percent plus the cost of living, not to exceed 10 percent, in a single year.²⁶

The interaction between the proposed GSE reserve threshold and California's assessment increase framework creates a structural compliance gap. Associations that cannot legally raise assessments fast enough to reach 15 percent reserve funding — without a membership vote they may not be able to obtain — will face a period of non-compliance that renders them non-warrantable under Full Review. That outcome falls most heavily on first-time and lower-income buyers in the communities most dependent on condo financing.

D. The Timing Problem: Compounding Effective Dates

The compounding effect of the two contested provisions deserves special emphasis. The retirement of Limited Review (August 3, 2026) means that by the time the reserve threshold increase takes effect (January 4, 2027), every established condo project will already be operating under the more demanding Full Review standards. Any HOA that is caught between the 10 and 15 percent threshold during the compliance window will be reviewed under

Full Review — with the higher reserve standard on the horizon — creating a narrowing window of warrantable status for communities in transition.

For buyers who contract on units in these communities between August 2026 and January 2027, the combined effect could produce a financing disruption they have no way to anticipate at the time of contract execution. They will have no mechanism to know, at the time of purchase, that the building's reserve trajectory may render it non-warrantable before closing — or shortly thereafter. This is a foreseeable harm to American homebuyers that NAMB urges FHFA to prevent.

V. The First-Time Homebuyer Is the Primary Casualty

NAMB emphasizes with particular urgency the disproportionate impact of these two provisions on first-time homebuyers. The data make clear that first-time buyer market participation is already at its lowest recorded level. The condominium market is the last major source of affordable entry-level housing in most American metro areas. These two provisions, operating in combination, will:

- Force a significant share of established condo communities into Full Review — a process that, in markets like South Florida, has historically resulted in financing failure in more than 90 percent of cases.
- Trigger mandatory reserve increases that will raise monthly HOA fees for current owners and create compliance uncertainty that deters new buyers.
- Render otherwise financially sound buildings non-warrantable — eliminating conventional financing for first-time buyers with limited down payment capacity and no access to portfolio products.
- Impose the greatest burden on exactly the communities most likely to house first-time and lower-income buyers: smaller, older, self-managed associations with limited administrative infrastructure.

When a first-time buyer's condo purchase falls through because the building has become non-warrantable, the consequences extend far beyond that single transaction. That buyer re-enters a rental market with no affordable alternatives, delays wealth-building, and represents exactly the outcome that the Administration's stated goal of expanding homeownership access is designed to prevent.

VI. NAMB's Requests: A Pause

NAMB is not asking FHFA, Fannie Mae, or Freddie Mac to abandon the goals reflected in LL-2026-03. NAMB strongly supports structural integrity, sound reserve management, and the long-term financial health of condominium communities. We are asking for the time and data necessary to implement these changes responsibly.

Request 1: Pause the Retirement of Limited Review Pending Impact Analysis

NAMB respectfully requests that FHFA delay the August 3, 2026 effective date for the retirement of the Limited Review process until a quantitative analysis has been completed of the projected effect on:

- The volume of condo loans currently originated under Limited Review versus Full Review, segmented by loan size, borrower income, and first-time buyer status.
- The projected share of established condominium communities that will fail to achieve Full Review approval due to documentation limitations — not financial distress.
- The geographic distribution of that impact, with particular attention to markets where Limited Review has historically been essential to condo financing access.
- The availability and affordability of non-conventional financing alternatives for first-time buyers whose condo purchase would otherwise fail under Full Review.

In the alternative, NAMB requests that FHFA evaluate whether a modified Limited Review pathway — with targeted enhancements to address specific risk factors — can be retained for established projects with a lower documentation risk profile.

Request 2: Pause the 15 Percent Reserve Threshold Pending State-by-State Analysis

NAMB respectfully requests that the January 4, 2027 effective date be delayed until FHFA has completed a state-by-state analysis examining:

- The current reserve funding levels of existing condominium associations, including the share operating at or near the existing 10 percent floor.
- The interaction between the proposed 15 percent GSE threshold and existing state-law reserve requirements — particularly in Florida and California, where SIRS mandates, SB 326 obligations, assessment caps, and insurance requirements create overlapping obligations.
- The projected increase in monthly unit owner costs required to achieve 15 percent compliance, and the corresponding impact on market-rate sales activity and first-time buyer access.
- The number and geographic distribution of established condo projects that would lose warrantable status due to the 15 percent threshold — and the resulting impact on unit owners' ability to sell or refinance.

NAMB recognizes that fully funded reserves are essential to long-term community health. We are not arguing against strong reserve requirements. We are arguing that a 50 percent increase in the required funding ratio — imposed on an already-pressured market, without transition period or analysis of state-law interactions — risks substantial unintended harm.

Request 3: Publish Specific, Practical Guidance for the Transition Period

For the period between now and any revised effective dates, NAMB requests that Fannie Mae and Freddie Mac publish:

- Clear, practical lender guidance on how to conduct Full Review for established projects previously eligible for Limited Review, including documentation standards and acceptable substitutes where HOA records are unavailable.
- A policy statement addressing how lenders should handle transactions in projects currently compliant at 10 percent reserves but approaching the proposed 15 percent threshold.
- An explicit commitment that no previously warrantable project will lose warrantable status on January 4, 2027 without a defined cure period during which the HOA can develop a compliant reserve funding plan.

Request 4: Expedite Implementation of the Welcomed Provisions

NAMB urges Fannie Mae and Freddie Mac to move promptly to operationalize the insurance relaxation, investor concentration removal, small-project simplification, and PERS pre-sale waiver provisions so that the market-expanding benefits of LL-2026-03 reach buyers as quickly as possible — independent of any reconsideration of the two contested provisions.

VII. Conclusion

The March 18, 2026 announcement reflects genuine commitment by FHFA, Fannie Mae, and Freddie Mac to expanding homeownership opportunity and addressing the insurance affordability crisis. NAMB shares that commitment absolutely. We have fought for years to protect the broker channel's ability to serve first-time buyers, underserved communities, and the borrowers for whom homeownership is not a given — it is an aspiration that requires every available tool in the mortgage professional's toolkit.

The two provisions identified in this statement do not expand that toolkit. They narrow it — at precisely the moment when first-time buyers need more options, not fewer. The data from both Florida and California show unambiguously that the condo market is under acute stress, that first-time buyer participation is at its lowest recorded level, and that major state markets are already managing overlapping regulatory mandates that have driven HOA costs to levels many families cannot sustain.

NAMB does not oppose the long-term goals reflected in these provisions. We oppose their implementation on the current timeline, without the data-driven analysis needed to ensure that the cure is not worse than the disease. We respectfully and urgently request that FHFA pause the retirement of Limited Review and the increase in the reserve funding threshold, commission the impact analyses described in this position statement, and engage with NAMB and the broader mortgage professional community before these changes take effect.

ENDNOTES

1. National Association of REALTORS®, 2025 Profile of Home Buyers and Sellers (November 4, 2025). First-time buyer share: 21%, median age 40.
2. National Association of REALTORS®, "First-Time Home Buyer Share Falls to Historic Low of 21%, Median Age Rises to 40" (November 4, 2025), quoting Shannon McGahn, NAR Executive Vice President and Chief Advocacy Officer.
3. NAR 2025 Profile of Home Buyers and Sellers. Median down payment: first-time buyers 9%; repeat buyers 23%.
4. Federal Housing Finance Agency, News Release: "Fannie Mae and Freddie Mac Remove Certain Homeowners Insurance Requirements That Will Reduce Costs" (March 18, 2026). Available at [fhfa.gov](https://www.fhfa.gov).
5. Fannie Mae, Lender Letter LL-2026-03: Updates to Project Standards and Property Insurance Requirements (March 18, 2026). Available at singlefamily.fanniemae.com.
6. Freddie Mac, Seller/Service Guide Bulletin 2026-C (March 18, 2026). Available at guide.freddie.com.
7. Fannie Mae Selling Guide B4-2.2-02, Full Review Process. Lenders must use Condo Project Manager (CPM) and document compliance with all project-level eligibility requirements.
8. Foundation Mortgage, "Fannie Mae Limited Review vs. Full Review: Florida Condo Loan Analysis." Available at foundationmortgage.com. (In South Florida, fewer than 10% of loans submitted for Full Review receive condo approval and close.)
9. RISE Association Management, "Is Your Condo Association Fannie Mae Compliant?" (2025). When a condo becomes non-warrantable, unit owners are limited to cash buyers or expensive portfolio loans, significantly reducing the buyer pool and lowering unit values.
10. Norada Real Estate Investments, "Florida Condos Hit Hardest Since the Great Recession as Prices Tumble" (2025). Florida holds approximately one-fifth of all condominiums in the United States.
11. Norada Real Estate Investments, "Florida Housing Market Forecast 2026" (December 2025). In the first half of 2025, median listing prices for condos were down 10.8% compared to the same period in 2023; single-family homes declined only 3.6%.
12. Long Yield Capital Research, "Florida Housing in 2026: Bubble, Normalization, or Structural Repricing?" (February 2026). Forty percent of Florida condo owners have faced special assessments in the last three years; monthly HOA fees in Miami-Dade high-rises jumped nearly \$500/month in 2025, with insurance components averaging \$377/month.
13. Redfin data as cited in U.S. News & World Report, "Florida's Condo Crisis: Why Condo Sales Are Plummeting" (December 2024). HOA fees increased more than 5% in Miami and more than 17% in Tampa in the three months ending July 2024.
14. U.S. News & World Report, "Florida's Condo Crisis: Why Condo Sales Are Plummeting" (December 2024), quoting Hector Vargas, President of the South Florida High-Rise Division, FirstService Residential. One managed building required \$4.17 million in year-one reserve catch-up, with ongoing reserve funding of \$750 per unit per month.
15. Florida Statute §718.112(2)(e)(2)(a). Provides a procedure if a condo association's budget requires assessments exceeding 115% of the prior fiscal year; costs such as insurance premiums and SIRS-required reserves are excluded from the 115% threshold calculation.
16. Florida Statute SB 4-D (2022), as amended by HB 913 (2025). Requires condominium buildings three stories or higher to conduct Structural Integrity Reserve Studies (SIRS) and prohibits waiving or reducing reserves for critical structural items identified in a SIRS beginning December 31, 2024.

17. Florida Realtors, as reported in "Florida's Condo Market Predictions 2025 to 2026" (April 2025). Closed sales of existing condos and townhouses declined 0.7% year-over-year in March 2025; inventory rose 38% year-over-year.
18. The Own Team / Realtor.com data, "The HOA Fees Are Rising Fast in the Bay Area" (2025). Between 2019 and 2024, HOA dues rose a median of 30% across the Bay Area, outpacing inflation of ~22%; some associations saw insurance costs jump 40% in one year.
19. Hoodline / Realtor.com data, "SF Condo Owners Walloped as HOA Dues Blow Past \$500 a Month" (March 2026). Median monthly HOA fee in the San Francisco metro area reached \$502 in 2025, up sharply from ~\$360 in 2019. Bay Area median: \$502; Los Angeles metro median: \$429.
20. Axios / Realtor.com, "HOA Fees Climb as More Homes List with Dues" (March 2026). National median HOA fee rose to \$135/month in 2025 (from \$125 in 2024 and \$108 in 2019); Sacramento HOA fees rose 13.1% in the survey period.
21. California Association of Realtors (C.A.R.), Q4 2025 Housing Affordability Index. C.A.R.'s Housing Affordability Index: 18% (only 18% of California households can afford the median-priced home). In Q3 2025, only 27% of California households could afford the median-priced condo (~\$650,000) versus 17% who could afford the median single-family home (~\$887,000).
22. JackMa Real Estate / C.A.R., "Condos vs Houses in Southern California: 2026 Buyer Guide" (January 2026). By late 2025, 27% of Californians could qualify for a \$650K condo, compared to only 17% for an \$887K single-family home. Many California condos saw HOA dues jump 10–25% in a year due to rising insurance and maintenance costs; over 90% of associations saw insurance costs rise steeply.
23. California Civil Code §5605 (Davis-Stirling Common Interest Development Act). An HOA board may not impose a regular assessment more than 20% greater than the prior fiscal year's regular assessment, or special assessments exceeding 5% of budgeted gross expenses, without approval of a majority of a quorum of members.
24. PropFusion / California Civil Code §§5500, 5550, 5560, "California Reserve Study Requirements" (2026). California's Davis-Stirling Act requires a full reserve study at least every three years and annual review of the funding plan. Industry experts recommend reserves be funded at a minimum of 70% (percent funded ratio); low percent-funded levels are visible to lenders and buyers, reducing property values and making units harder to sell.
25. California Senate Bill 326 (SB 326, 2020). Requires condo HOAs to conduct visual inspections of exterior elevated elements (balconies, decks, etc.) every nine years. Initial compliance deadline for associations with buildings constructed before January 1, 1995: January 1, 2026 (extended from January 1, 2025). Non-compliance may result in fines, enforcement liens, and loss of insurance coverage.
26. California Assembly Bill 572 (AB 572, effective January 1, 2025). New associations with 20+ deed-restricted affordable units must limit annual regular assessment increases to 5% plus cost of living, not to exceed 10% of the prior year's assessment.