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

Why Utah Presents a Distinct and Compelling Case

Utah's argument against FHFA's claims is built on a different foundation than Florida's or California's. Utah is not recovering from a documented catastrophe or managing decades of accumulated coastal deferred maintenance. Instead, Utah is a rapidly growing state in the middle of an active, state-legislated effort to build condominiums as the primary solution to a severe housing affordability crisis. Governor Spencer Cox has set a goal of 35,000 starter homes by 2028, and the state legislature has explicitly expanded its starter home programs to include condominiums as the primary vehicle for first-time ownership. LL-2026-03 lands directly in the path of that state policy objective, making the cost and compliance timeline argument both a financial and a housing access argument for Utah's congressional delegation. That combination -- combined with structural gaps in Utah's reserve law framework -- makes Utah a powerful state-level case for a phased implementation delay.

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

Utah's Six-Year Reserve Study Cycle Creates a Compliance Mismatch at Scale

Utah is one of the states that mandates reserve studies for condo associations -- but the framework has a built-in structural weakness that FHFA's data appears not to have accounted for. Under Utah Code Section 66-27-403, if a condo board has conducted a reserve study on or after January 1, 2023, it must update the study within five years and continue to do so every five years. If no reserve study has been conducted since January 1, 2023, the board must complete one by January 1, 2024. A related provision under Utah Code Section 57-8-7.5 similarly requires updates every six years with annual board reviews. (https://www.hoamanagement.com/hoa-reserve-study-requirements-by-state/)

The problem is direct: while Utah law sets the legal floor at a six-year update cycle, federal mortgage standards established by Fannie Mae and Freddie Mac set the market floor. For units to remain eligible for conventional mortgages, the association must adhere to stricter standards. GSE guidelines mandate that lenders review all structural or mechanical inspection reports, including reserve studies, completed in the prior three years from the

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loan project review date. This requirement effectively means that associations must perform a new or updated professional reserve study at least every three years, overriding Utah's permissive six-year state law cycle to ensure project eligibility for lending purposes. (https://www.smartproperty.com/reserve-requirements-and-funding/utah)

Any Utah condo association that has been in compliance with state law -- updating its reserve study every five to six years as required -- may have a study that is now too old to satisfy the Fannie Mae three-year lookback. Those associations will immediately be flagged as non-warrantable at the point of sale or refinance, with no negligence on their part and no violation of state law. The number of associations in this situation in a state with mandatory but infrequent reserve study cycles is likely significant, and FHFA's claimed figure of under 10,000 nationally provides no accounting for this category of structural non-compliance.

No Statutory Minimum Funding Level Means Utah Associations Are Not Required to Fund Adequately

Even where Utah associations have compliant reserve studies, there is no state law requiring them to fund at any particular level. While Utah law requires associations to develop funding plans based on reserve study findings, specific contribution levels are not mandated. Associations are expected to maintain sufficient reserves to avoid financial shortfalls, but there is no statutory minimum funding level. (https://www.propfusion.com/law-guide/utah-reserve-study-requirements)

This matters enormously for FHFA's impact claim. An association can be in full compliance with Utah state law -- reserve study current, annual reviews completed, funding plan adopted -- while simultaneously funding reserves at 8% or 9% of budget. Under LL-2026-03, that association fails the 15% test for warrantability on January 4, 2027, and fails the "highest recommended allocation" test on August 3, 2026. Utah's framework explicitly does not prevent this outcome. FHFA's assertion that the problem is narrow assumes that existing state law frameworks are directing associations toward adequate funding. In Utah, they are not.

80% of New Utah Construction Is HOA-Governed

Utah's HOA Ombudsman working group, formed in 2026 in direct response to homeowner complaints about rising fees and surprise assessments, noted that roughly 80% of new home construction in Utah is governed by HOAs. More than 58% of new listings in 2025 in Utah included HOA fees, at a median monthly cost of $164, up from $150 in 2024 when 57% of listings were attached to HOAs. This penetration rate is well above the national average, meaning that the LL-2026-03 compliance burden will affect a disproportionately

large share of Utah's housing transactions relative to most other states. (https://hoodline.com/2026/04/fed-up-utah-homeowners-spur-state-hoa-fix-it-panel/)

The Utah Ombudsman Working Group Itself Validates the Concern

Utah's HOA Ombudsman formed a working group in 2026 to collect homeowner complaints, study reserve rules, and propose policy recommendations for 2027. The department specifically cited Fannie Mae's LL-2026-03 as directly affecting associations in Utah, and the panel is expected to spend much of 2026 on a statewide listening tour before floating policy changes for lawmakers to consider in the 2027 legislative session.

The existence of this working group -- organized by state government, collecting widespread homeowner complaints, and directly referencing LL-2026-03 -- is itself evidence that the impact FHFA described as limited to under 10,000 associations nationwide is being felt broadly enough in Utah alone to warrant a dedicated state government response.

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

Utah's HOA Fees Are Already Above National Median and Rising

FHFA's $15-$30 monthly estimate is particularly difficult to sustain in Utah's context. Utah's current median HOA fee already sits at $164 a month, meaningfully above the national median. For a first-time buyer, a $164 monthly HOA fee translates to nearly $2,000 annually in recurring costs, before any future special assessments, insurance-driven increases, or reserve funding adjustments. In practical terms, that can offset much of the monthly savings that once made attached housing the obvious entry point. (https://www.bradythomasrice.com/the-rise-of-hoa-housing-in-utah-and-the-mountain-west/)

Utah associations are not starting from a position where a modest $15-$30 addition would be barely noticeable. They are starting from a position where existing HOA costs are already materially affecting mortgage qualification and housing affordability calculations. Any material increase on top of that creates real harm to access.

The True Cost Impact Depends on the Reserve Deficit, Not Just the Percentage Threshold

The $15-$30 estimate reflects only the marginal shift from 10% to 15% of budget for associations that are already at or near 10%. It does not reflect what happens to associations operating below 10%, or what happens when the "highest recommended

allocation" standard applies and the study recommends 25% or 30%. Utah HOA industry practitioners confirm that "for many communities, it's hard to justify putting away more than the bare minimum for a rainy day," acknowledging that underfunding is common and that boards historically have kept contributions at minimal levels to avoid homeowner pushback. (https://hoastrategies.com/articles/why-are-my-utah-hoa-assessments-increasing/)

Associations that have been funding at the bare minimum -- and where the reserve study now mandates a higher allocation -- face a cost increase that is not bounded by the gap between 10% and 15%. It is bounded by the gap between their actual contribution level and the study's highest recommended allocation, which Association Reserves' 2026 industry report places at a range of 15-45% of total annual budget, with a midpoint that has shifted higher due to inflationary cost increases between 2021 and 2024. (https://www.reservestudy.com/wp-content/uploads/2026/05/2026-04-29-100000-Industry-Insights-Report-FINAL.pdf)

Utah Condos Are Already Losing Value as HOA Costs Rise

The market is already registering the effect of rising HOA costs on condo values before the reserve requirement increase is even fully implemented. In the Salt Lake City area, the median sales price for a condo tumbled 4.2% to $352,000, with condo sales down 22.4% year-over-year in May 2025 -- the 13th highest decline among more than 60 major metropolitan areas nationwide. Redfin cited many condo owners "trying to offload their properties because HOA fees and insurance costs have been soaring" as a key driver. (https://www.deseret.com/utah/2025/07/01/condos-getting-cheaper-new-study-finds-as-condos-added-to-utah-starter-home-initiative/)

The townhouse and condominium market in Utah saw median prices drop from $415,000 to $400,000, while days on market increased from 48 to 62 days. This market softening is occurring in a state simultaneously trying to use condominiums as its primary affordable housing tool. The timing of LL-2026-03 could not be worse for Utah's housing policy goals. (https://bestutahrealestate.com/news/utah-housing-market-crisis-comprehensive-real-estate-update-july-2025)

Utah-Specific Legal and Policy Barriers to Timely Compliance

No Statutory Assessment Increase Cap -- But Governing Documents Impose Real Limits

Unlike California's 20% cap, Utah state law does not impose a statutory ceiling on regular assessment increases. However, this does not mean Utah associations can increase dues freely or rapidly. Utah's Community Association Act governs board authority, and the board's fiduciary duties -- now formally codified in Utah Code Section 57-8a-502 by House Bill 217 (2025) -- require establishing a "sound fiscal basis for the association by imposing and collecting assessments and establishing reserves for the maintenance and replacement of common areas." (https://www.counselourhoa.com/articles/639-new-2025-hoa-laws-and-what-they-mean-for-your-hoa)

In practice, most Utah condo declarations do impose caps or member vote requirements on assessment increases, and those caps are contractually binding on the board. For associations where the declaration requires a member vote for increases above a set percentage, the vote process requires proper notice, a meeting, quorum, and the actual ballot -- a process that can take 60-90 days or more, and which may need to be repeated if quorum is not achieved the first time. For associations trying to comply before January 4, 2027, the window for completing this process is closing.

The Six-Year Cycle vs. Three-Year Lending Standard Creates a Structural Gap

This is Utah's most uniquely problematic compliance issue, and it deserves emphasis in congressional correspondence. Utah's statute says update every five to six years. Fannie Mae says the study must be current within the past three years to count for lending purposes. An association that complied with Utah law by updating its study in 2022 has until 2027 or 2028 under state law. But as of 2025, that same study is already too old for Fannie Mae's three-year lookback. Every sale or refinance in that association after 2025 faces a compliance issue the board has no state-law obligation to have addressed. Fannie Mae and Freddie Mac explicitly prohibit the issuance of loans for projects with "unfunded repairs totaling more than $10,000 per unit," and a Utah association can be 100% compliant with state law -- even if owners vetoed funding -- yet still fail GSE eligibility if the documented shortfall exceeds the $10,000 per-unit threshold. (https://www.smartproperty.com/reserve-requirements-and-funding/utah)

The Starter Condo Program Collision

This is the argument that most directly connects LL-2026-03's impact to Utah's active legislative agenda, and it is the one that should lead any congressional letter from Utah's delegation.

Utah's 2025 Legislature expanded the state's starter home program to include condominiums, with the governor's housing adviser stating that condos "are the natural entry point into the housing market." The program specifically targets first-time buyers and

includes provisions to work around federal FHA presale requirements. The state has identified condo development near transit corridors as a core strategy for expanding affordable ownership. (https://www.deseret.com/utah/2025/05/26/starter-condos-are-new-plan-to-get-affordable-housing-built-in-utah/)

Governor Spencer Cox set a goal of building 35,000 starter homes by 2028, and 2026 legislation opened with a bill to reduce minimum lot sizes and streamline permitting specifically for this purpose. (https://www.housingwire.com/articles/utah-housing-affordability-bill/)

LL-2026-03 directly conflicts with this state-level initiative. The new reserve requirements will raise monthly carrying costs for condo owners -- particularly first-time buyers who rely on condominiums precisely because of their lower entry price. Utah's own data shows condo prices are already declining and HOA fees are already rising. Adding a federally mandated reserve contribution increase, on a compressed timeline that gives Utah's associations no opportunity to phase compliance through their normal budget cycles, will further erode the affordability of the product Utah's state government is actively trying to make more accessible.

Utah is not asking FHFA to abandon reserve safety standards. It is asking for a timeline that gives the state's condo market -- especially its starter home pipeline -- a reasonable opportunity to comply without becoming financially inaccessible to the buyers it was designed to serve.

Utah Data Points for Congressional Letters

1. **Utah's reserve study statute requires updates every five to six years**, while Fannie Mae's warrantability standard requires studies current within three years. Every Utah condo association with a study between three and six years old is state-law compliant but potentially GSE non-warrantable -- a compliance gap FHFA created without state coordination.
2. **Utah has no statutory minimum reserve funding level**, meaning associations can be fully compliant with state law while funding reserves at levels well below 10% of budget. FHFA's claim that the problem is limited to a small number of associations ignores this category of structurally underfunded, legally compliant Utah associations.

3. **80% of new Utah home construction is HOA-governed, and more than 58% of all Utah listings in 2025 included HOA dues**, making LL-2026-03's cost impact disproportionately broad relative to other states.
4. **Utah condo prices dropped 4.2% and condo sales fell 22.4% year-over-year in Salt Lake City** even before the new reserve requirements take effect, indicating that the market is already fragile and further cost increases will amplify, not introduce, the correction.
5. **Utah's HOA Ombudsman launched a working group in 2026 specifically referencing LL-2026-03** as a concern for Utah homeowners, providing state-government validation that the federal impact estimate is being contradicted by actual homeowner experience.
6. **Utah's Legislature and Governor have made starter condominiums a central affordable housing strategy**, and LL-2026-03's cost and timeline requirements directly undermine the state's ability to deliver on that commitment. A federal lending rule that increases carrying costs for the housing type a state has designated as its primary affordability tool is not a narrow technical adjustment -- it is a policy conflict that demands congressional attention.
7. **Median Utah HOA fees have risen from $150 in 2024 to $164 in 2025**, already well above the national median of $135, making FHFA's characterization of a $15-$30 monthly increase as manageable inapplicable to a market where existing HOA cost burdens are already affecting buyer qualification and property values.

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