



IMPORTANT REMINDER

BULLETIN 09 06052026

Issued to: All Channels

Date: June 5th 2026

Subject: Fannie Mae and Freddie Mac: Project Standards & Property Insurance Updates

Fannie Mae and Freddie Mac, in coordination with the Federal Housing Finance Agency (FHFA), have announced updates to condominium project eligibility standards and property insurance requirements for one-to-four-unit properties and condominium project developments.

These changes are intended to enhance flexibility in certain areas, strengthen the financial resilience of condominium (condo) projects, and support a more stable housing finance system. While several updates expand eligibility and provide greater operational flexibility, other changes introduce more restrictive requirements and additional review considerations.

The summary below highlights the most significant policy enhancements and key guideline changes that may impact underwriting, project review, and loan eligibility determinations.

PROJECT STANDARDS UPDATES

Effective Date	Previous Guidance	New Guidance	Change Type
Immediate	New and established projects with 5 or fewer units are waived from Project Review.	Expanded to include new and established projects with 10 or fewer units. Projects of 5–10 units must not be part of a master association or larger development. Requirements that apply for Project Review waiver must be met.	Expanding

Immediate	New or newly converted condo projects with attached units in Florida are required to be submitted to Fannie Mae for PERS approval.	Retirement of the PERS review requirement for attached units in Florida in a new or newly converted condo projects. These projects may now be reviewed under the lender-delegated Full Review process. Note: Geographic restrictions remain in effect until the Limited Review process is retired on August 3, 2026	Expanding
Immediate	Investment property concentration limit of 50% in established projects reviewed under the Full Review process on investor loans.	Investor concentration limit of 50% retired for established projects under the Full Review process. Presale requirements for New Condo projects still applies. Note: Presale requirement that at least 50% of the total units in the project or subject legal phase must have been conveyed or be under contract for sale to principal residence or second home purchasers Full Review process on investor loans.	Expanding
Required application dated on or after Aug. 3, 2026	Established condo projects eligible for Limited or Streamline Review process available as an alternative review path.	Retirement of the Limited and Streamline Review process. Previously eligible projects must now use the Full Review process or when applicable, Waiver of Project Review.	Contracting
Required application dated on or after Aug. 3, 2026	Allows a reserve study to demonstrate a project has sufficient reserves when it is not budgeting for replacement reserves. The use of the baseline funding method (allowing reserve cash balance to approach but never fall below zero) is acceptable.	When using the reserve study option, the project's budget must include the highest recommended reserve allocation amount in the study to adequately cover the costs.	Contracting
Required application dated on or after January 4, 2027	Minimum replacement reserve allocation for capital expenditures and deferred maintenance: 10% of the annual budgeted income assessment.	Minimum replacement reserve allocation increased to 15% of the annual budgeted income assessment. Note: The GSE's has determined a correlation between condo projects with underfunded reserves for capital expenditures and those in need of critical repair. Inadequate reserves typically do not have the resources to maintain physical condition or to fund unexpected operating expenses. As a result, unit owners can experience financial hardship from unexpected special assessments or higher regular assessments leading to mortgage default or foreclosure.	Contracting

PROPERTY INSURANCE UPDATES – One-to-Four Unit Properties

Effective Date	Previous Guidance	New Guidance	Change Type
Immediate	Lenders required to document replacement cost value (RCV) to verify coverage sufficiency for 1–4 unit properties. Roofs are required to be insured on a replacement cost basis.	The insurance policy must be covered by an insurance policy that provides coverage on a replacement cost basis, excluding roofs. Roofs must be insured but do not have to be insured on a replacement cost basis Coverage on a replacement cost basis.	Expanding
Immediate	Specific maximum not defined uniformly	Deductible(s) for all perils may not exceed 5% of the limit maintained for dwelling coverage	Neutral

PROPERTY INSURANCE UPDATES – Master Policy for Project Developments

Effective Date	Previous Guidance	New Guidance	Change Type
Immediate	Requirements to document replacement cost value for master property insurance policy coverage amounts were specified. Roofs required on replacement cost basis. Inflation guard coverage required for project developments.	Documentation requirements for verifying replacement cost value retired. Roof replacement cost basis requirement retired. Inflation guard coverage requirement retired. Coverage must equal at least 100% of the estimated cost value of the project improvements, including common areas. Guaranteed/extended replacement cost coverage, insurer estimate, risk appraisal, or statement from qualified professional is acceptable to document the coverage is sufficient Roofs must be insured, but do not have to be insured on a replacement cost basis. Actual cash value basis for personal property and certain property elements is now acceptable.	Expanding
Required with applications dated on or after Jul. 1, 2026	Per unit deductible requirements varied; specific maximum not defined uniformly.	Maximum allowable per unit deductible for all required property insurance perils under a master policy set at \$50,000 per unit. When the master policy has a per unit deductible, the borrower must have a unit owners property insurance policy.	Contracting

PROPERTY INSURANCE UPDATES – Individual Property Insurance (HO-6) for Units in Project Developments

Effective Date	Previous Guidance	New Guidance	Change Type
Required for applications dated on or after Jul. 1, 2026	Prior requirements governed when a borrower must obtain an individual property insurance policy and coverage sufficiency thresholds.	Unit owners' policy is required when: (1) any portion of the unit interior or improvements are not covered by the master policy, OR (2) the master policy includes a per unit deductible. Min. coverage must be = to the greater of: (1) amount to restore interior not covered by master policy, OR (2) the per unit deductible amount.	Contracting
Immediate	List of required perils has been updated.	If the master property insurance policy includes a per unit deductible to a specific peril, the unit owner's property insurance must include coverage for the peril. The unit owner's property insurance policy must be on replacement cost basis.	
Immediate	Maximum deductible requirements are 5% of the property insurance coverage amount.	The maximum allowable deductible for all required property insurance perils is the greater of 5% of the property insurance coverage amount, or \$2,500	Expanding

Change Type Legend:

Expanding = Broadens eligibility / reduces requirements

Contracting = Tightens requirements

Neutral = Clarification / no net change to eligibility

Source: Fannie Mae Lender Letter LL-2026-03, March 18, 2026 [LL-2026-03 Project Standards Insurance 03-18-26.pdf](#), and Freddie Mac Bulletin 2026-C <https://guide.freddie.com/app/guide/bulletin/2026-C>

Please contact your Account Executive should you have any questions.

We appreciate your business!