FANNIE, FREDDIE, AND FLORIDA: THE NEW LENDING REALITY

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Most of us in the community association industry have spent the past few years adjusting to a moving target. Florida's SB 4-D and SB 154 (along with subsequent legislation changes) reshaped how associations handle structural inspections and reserve funding, and more recently, Fannie Mae and Freddie Mac revised their condominium project review standards in ways that associations must also take into account. Together, these changes have created a new reality worth talking about:

> ***A community's reserve plan is no longer just an internal budgeting document. It is a credit document too.***

One that lenders now read, and one that can affect whether units in your community remain easily financeable.

Two sets of rules, talking past each other

Much has been written about Florida's Structural Integrity Reserve Study (SIRS) and milestone inspection requirements, which require proper estimation of life expectancies and replacement costs for critical building components, and provide associations with appropriate financial roadmaps for how to deal with these inevitable costs. Unlike prior years, most condominiums and cooperatives can no longer waive annual funding for these components. Having a current, credible SIRS and following its recommendations is vital not only for statutory compliance, but increasingly, also to satisfy insurance companies and lenders who are using these documents as a part of their own private underwriting standards.

Nationally, Fannie Mae and Freddie Mac also look critically at condominiums, imposing their own requirements for compliance with internal lending standards. For a unit in a condominium project to qualify for a conforming mortgage through the GSEs—and therefore for a potential buyer to access the most favorable lending rates —the condominium project itself must pass review. There are many criteria involved, but two recent updates to these requirements involving reserve funding deserve particular attention.

First, effective January 4, 2027, the minimum reserve funding standard is moving from 10% of the annual budget to 15%. How the percentage is calculated is spelled out in the Fannie Mae Selling Guide, Section B4-2.2-02, but it should be noted that Fannie Mae does not distinguish between "SIRS" reserves and other types—it is the combined total that must satisfy the threshold.

Second, for associations seeking the long-recognized exception to the percentage-of-budget rule by submitting a reserve study that demonstrates a lower funding level is sufficient, the standards have tightened. As of August 3, 2026, a study pursuing a "baseline funding" objective (i.e. letting the cash balance on hand drop as close to zero as possible without going negative) will no longer be accepted as a viable option. The association must instead be funding toward the highest objective identified in its study. The principle is straightforward: lenders are unwilling to accept bare-minimum funding when the collateral they are lending against is at stake.

Aug 3, 2026 — "Baseline funding" studies no longer accepted; associations must fund toward highest identified objective

Jan 4, 2027 — Fannie Mae minimum reserve funding rises from 10% to 15% of annual budget

The juxtaposition of these different requirements (Florida's SIRS laws and national lending guidelines) may leave some associations caught in the middle: it will be simultaneously possible to satisfy all of Florida's statutory provisions (which do specifically allow baseline funding as an approved objective) while not complying with Fannie Mae's more conservative demands.

Where boards can get ahead of this

In our opinion, the most useful step a board of directors can take is to commission a comprehensive reserve study engagement (including separate analyses of the SIRS and "non-SIRS" components alike) designed to satisfy both sets of requirements at once. The two should be produced together as a coordinated package, and the provider can work with the client to ensure that the financial recommendations meet all the key criteria at stake. Those associations who initially sought only to comply with the SIRS requirements, without also developing a financial plan for their other major components (such as elevators, HVAC systems, amenities, and building interiors) are only getting half the picture, and the new national lending standards will expose the shortfall.

The fact of the matter is that associations owe it to themselves to embrace the financial realities they face and plan accordingly. Government and industry requirements are there to enforce accountability, but even if they didn't exist, proper reserve planning would still mandate an accurate, comprehensive schedule of all relevant components, paired with a financial plan designed to provide appropriate levels of reserve cash at all times. That will remain true regardless of any further changes yet to come.

Putting the new standards in perspective

It is worth pausing on what the 10%-to-15% change actually means in practice. To keep pace with the steady deterioration of a typical condominium's common elements, we have generally observed that most associations need to transfer somewhere between 15% and 45% of their total annual budget into reserves on an ongoing basis. An association legitimately funding its reserves should already be at or above the new 15% threshold, and so for those communities, these new changes are essentially a non-issue. For the associations that have been funding insufficiently, the change is really an invitation to take an honest look at the plan. The broader direction is, in our view, the right one. For a long time, condominium reserve practice in Florida tolerated a gap between what buildings should have allocated and what they actually set aside. The new rules have brought that gap into the open, and closing it is well within reach for any board willing to take the first step.