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Fannie Mae and Freddie Mac Higher Minimum Reserve Funding Standards – What does it mean for our Association?

by Robert M. Nordlund, PE, RS
CEO/Founder
Association Reserves, Inc.

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www.reservestudy.com

Many people are concerned that the new Fannie Mae and Freddie Mac requirements, effective March 18, 2026, will make condo living more expensive because associations beginning in 2027 must fund Reserves at a minimum of 15% of the total budget instead of 10%.

Others have asked whether these changes will fundamentally affect how Reserve Studies are prepared, since Fannie and Freddie will ignore “Baseline” Funding Plans (and other lower-Funding Plan options).

The short answer to both questions is: **No.**

Most condominium associations already need to fund Reserves at approximately 15–45% of their total budget, with most near 25%, to properly maintain the property and avoid special assessments. Associations funding only 10% are typically underfunded and face a high risk of future special assessments.

For those associations, increasing the minimum from 10% to 15% does not mean homeowners will pay more overall. Instead, it shifts Reserve Funding into the regular monthly budget, reducing the frequency and size of future special assessments.

Most associations already fund Reserves above the new 15% minimum and will continue using Reserve Studies that present multiple Funding Plan options, including more aggressive or “Baseline” scenarios. As long as the association is funding Reserves above 15% of budget, Fannie Mae and Freddie Mac don’t care about their specific Funding Plan.

For the few associations claiming a legitimate exemption from this higher minimum standard, they will no longer be able to make that claim using anything other than the most conservative Funding Plan found in their Reserve Study. From a lender’s perspective, this helps ensure the association is indeed planning responsibly for long-term sustainability.

See more on this issue here.