The Lending Landscape Shift

What Every Board Needs to Know

Agenda

01 The Why Behind The What

02 Reserve Study Requirements

03 Insurance Requirements

04 The Industry Response

05 Deferred Maintenance Deep Dive

06 Q & A

Our Panelists

Michelle Baldry
Reserve Advisors

Whitney Patterson
Vero Maintenance

Jessica Knutsen
USI Insurance Services

Michelle Baldry

Michelle has dedicated more than 15 years to serving community associations and has personally prepared hundreds of reserve studies throughout her career. Her extensive experience in reserve planning, client service, and business development, combined with her commitment to advancing the community association industry, has earned her leadership roles at both the national and local levels through multiple committees, task forces, and work groups. In her current role, Michelle leads a team focused on helping community associations make informed, long-term capital planning decisions.

Michelle Baldry
PE, RS, EBP
Reserve Advisors
Vice President of Sales
Ph 703.812.0850
mbaldry@reserveadvisors.com

Credentials Include:

- **PE** - Professional Engineer
- RS - Reserve Specialist®
- EBP - Educated Business Partner

CAI National & Industry Recognition:

- FCAR Board of Directors - Member (2020-2026); President (2023)
- CAI Reserve Study Standards Revision Committee - Member (2022)
- CAI Reserve Study Best Practices Guide - Chair (2025-2026)
- CAI Government and Public Affairs Committee – Member
- VALAC - Legislative Action Committee - Member
- WMCCAI Rising Star (2023)
- CAI National Rising Star (2024)
- CAI-CRC Rising Star (2024)

Whitney Patterson

Whitney Patterson
VP Operations
Vero Maintenance

Whitney is an operations and construction executive with 15 years of community association industry experience, specializing in deferred maintenance, capital projects, and maintenance operations. Her career spans community association management, construction and restoration, plumbing/HVAC, field services, and national operations.
Whitney works with Boards and management teams to prioritize critical repairs, develop scopes and budgets, and turn deferred maintenance challenges into executable capital plans. Her broad operational and financial background allows her to bridge the gap between identifying what a community needs and successfully executing the work.

Credentials Include:

- CMCA® – Certified Manager of Community Associations
- OSHA 10 Certified
- B.S. Business Management | Minor in Finance

Industry Leadership & Recognition

- 15 Years of Community Association Industry Experience
- CAI Rocky Mountain Chapter Black Belt – 2025 | Recognizing 10 Years of CAI Membership & Service
- CAI Rocky Mountain Chapter Rising Star Nominee – 2023

Jessica Knutsen

Jessica M. Knutsen,
CIC, EBP, CIRMS
USI Insurance Services
Partner/Senior Vice President
Ph 703.340.0716
Jessica.Knutsen@usi.com

Jessica has been practicing insurance for 20 years and has been with USI for 15 years. She is currently a Partner and Senior Vice President of the Community Association Division at USI.
She has built expertise negotiating and placing insurance programs for community associations exclusively. She is licensed in multiple states across the U.S.

USI Insurance is a national insurance broker and currently writes 10,000 community associations across the country.

Credentials Include:

- CIC - Certified Insurance Counselor
- EBP - Educated Business Partner
- CIRMS - Community Insurance & Risk Management Specialist®

CAI National & Industry Recognition:

- CAI National Board of Trustees - Member (2023-2026)
- CAI National Business Partner Council - Chair (2024 & 2026)
- CAI Government and Public Affairs Committee – Member
- VALAC - Legislative Action Committee - Treasurer
- CIRMS Planning Committee
- CIRMS Code of Ethics Task Force
- Educator of the Year (2020, 2022)
- USI PEAK Award (2021, 2022, 2024)
- CAI National – Organizational Impact Award 2025

The Why Behind The What

	POLICY DRIVER	WHAT IT MEANS
01	**Long-term sustainability**	The changes are meant to promote long-term homeownership sustainability and support the financial health and marketability of condo projects.
02	**Preventing deferred maintenance**	Adequate reserves reduce the risk that deferred maintenance leads to costly special assessments or sharp dues increases down the road.
03	**Protecting affordability**	The goal is stable, sustainable access to financing, so condominiums remain a stable and affordable path to homeownership.
04	**Manageable impact for most**	Fannie Mae's analysis found the average impact of moving from 10% to 15% is roughly $13–$15 per unit per month, and most projects already reserve at or above the new threshold.
05	**Effective date**	The budgeted reserves requirement is currently 10% of a project's annual budgeted assessment income, increasing to 15% for new loan applications beginning January 4, 2027.

THE CASE FOR CHANGE

Sustainable reserves support durable ownership and healthier communities.

Limited review process retired

Waiver eligibility now scales by project size—with a clear distinction between full and conditional review relief.

01 | 2–4 UNITS

Full waiver

Eligible for a complete waiver of project review requirements under the new guidelines.

Simplified path

02 | 5–10 UNITS

Conditional waiver

Must meet budget, insurance, and critical repair requirements to qualify for the waiver.

Readiness matters

BOTTOM LINE **Smaller projects receive a simpler path; larger projects must demonstrate readiness.**

Annual reserve contribution requirements

The annual budget threshold increases from **10% to 15%**—with planning implications ahead of the effective date.

01 EFFECTIVE DATE

JANUARY 4, 2027

Mark your calendars—this date is critical for planning purposes.

New loan applications begin using the increased reserve requirement.

02 BUDGET WARNING

JULY 1, 2026

Be careful with budgets starting this date—early compliance may be required.

Plan ahead so upcoming budgets can absorb the change without surprises.

PLAN AHEAD **Use the 2026 budget cycle to prepare for the 2027 requirement.**

How to Calculate the 15%

At least 15% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life, and replacement cost of major Common Elements

Formula

The replacement reserve percentage is determined by dividing:
(i) the annual budgeted replacement reserve allocation by
(ii) the Homeowners Association's annual budgeted assessment income (including regular common expense fees)

Exclusions

The calculation may exclude:
1. Special assessment income
2. Income allocated to or in reserve accounts
3. Incidental income not relied upon for maintenance operations or capital improvements
4. Amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access

How to Calculate the 15%

Annual Revenues - Operating	$900,000
Annual Revenues - Reserves	$150,000
Annual Revenues - Laundry	$50,000
Total Annual Revenue	**$1,100,000**

Minimum Reserve Funding = $900,000 x 15%

Minimum Reserve Funding = $135,000

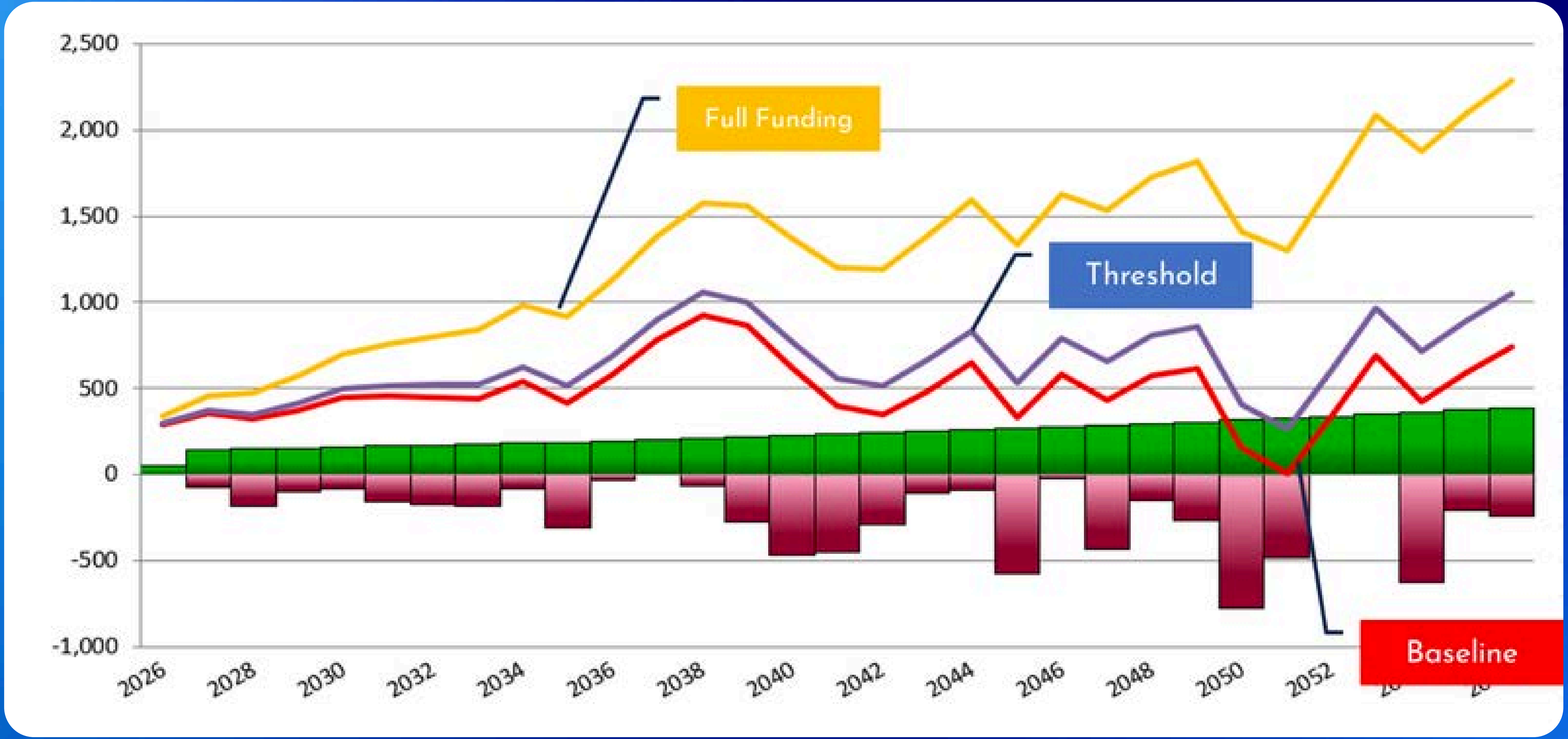
Reserve Study Requirements

If a reserve study is used for justification to fund below 15% of the annual budget, the condo must budget for the highest recommended reserve amount

The baseline funding method (allowing reserves to approach zero) is no longer permitted

The reserve study must be no more than 36 months old to be considered for loan eligibility

Enhanced Reserve Study Rules



Does a Reserve Study Override the 15% Funding Requirement?

No — not if the budget already meets 15%.

If the budget shows the association plans to reserve 15% or more of the annual budgeted assessment income, it is not required to fund reserves at the study's recommended level to maintain mortgage eligibility with Fannie Mae. The reserve study only comes into play when the association is budgeting less than the required amount — in that case, the study can demonstrate that the project has sufficient reserves at that lower level.

Can the Association Use a Special Assessment or a Loan/Line of Credit Instead of Budgeting the 15%?

No — the 15% still has to be budgeted.

The review will look for at least 15% of the total operating income to be contributed to reserves annually. The reserve balance, percent funded, or the existence of loans, LOCs, or special assessments do not remove the annual budget requirement.

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Should an Association Still Obtain a Reserve Study If It Already Meets the 15% Requirement?

Yes — it's a best practice, even if not required.

While Fannie Mae does not require a reserve study to demonstrate budgeted reserves are sufficient, a reserve study is a very useful planning tool that helps create transparency for owners into the physical condition and financial needs of their project. It is a best practice for associations to obtain a quality reserve study and follow the funding and maintenance recommendations provided by the analyst to mitigate risks related to critical repairs and financial deficiencies that may result in large special assessments.

Key Insurance Requirements

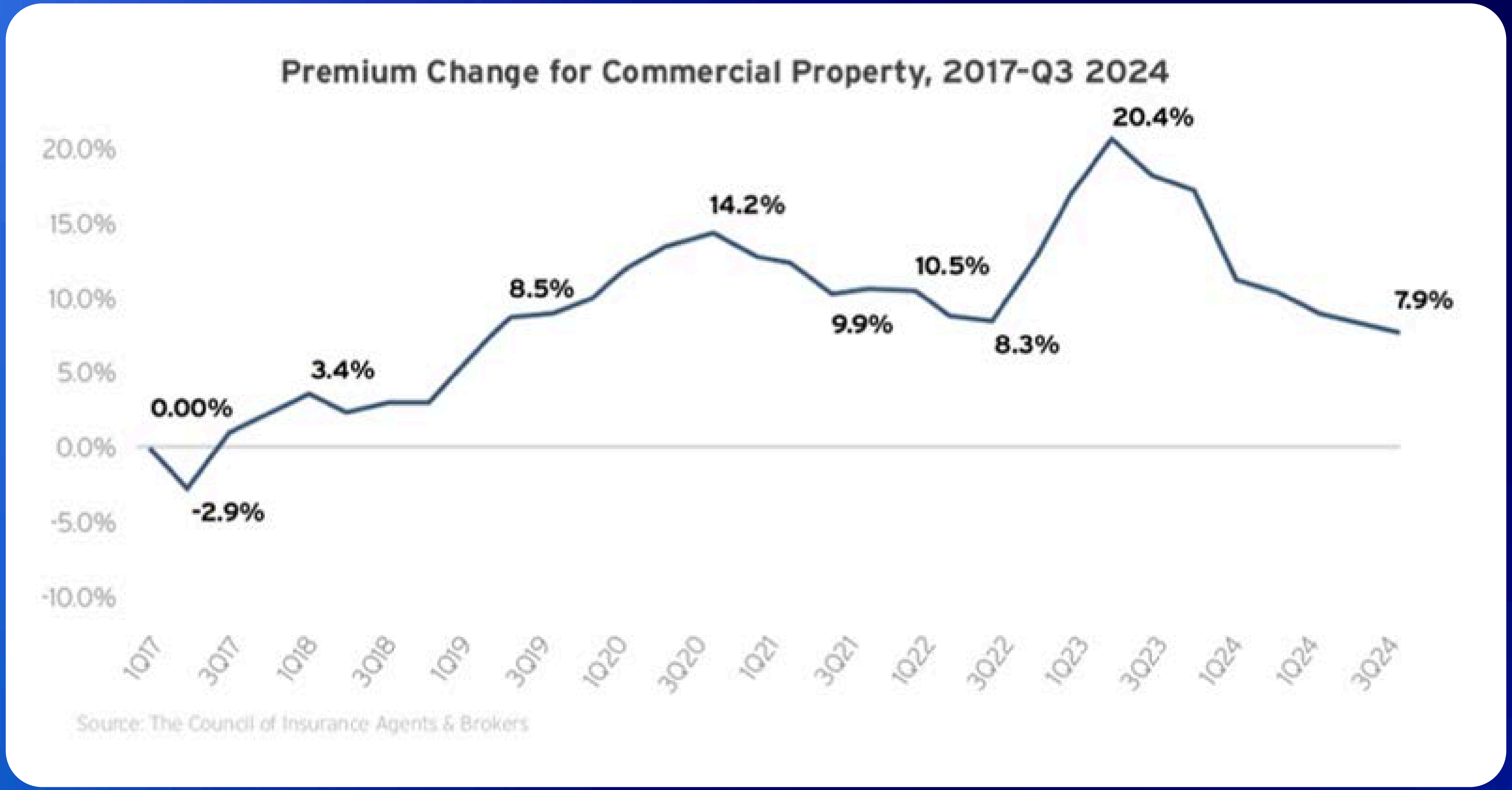
CONTEXT

How did we get here?

FACTOR#1

June 24, 2021 at 1:22 am
12 story building
98 fatalities

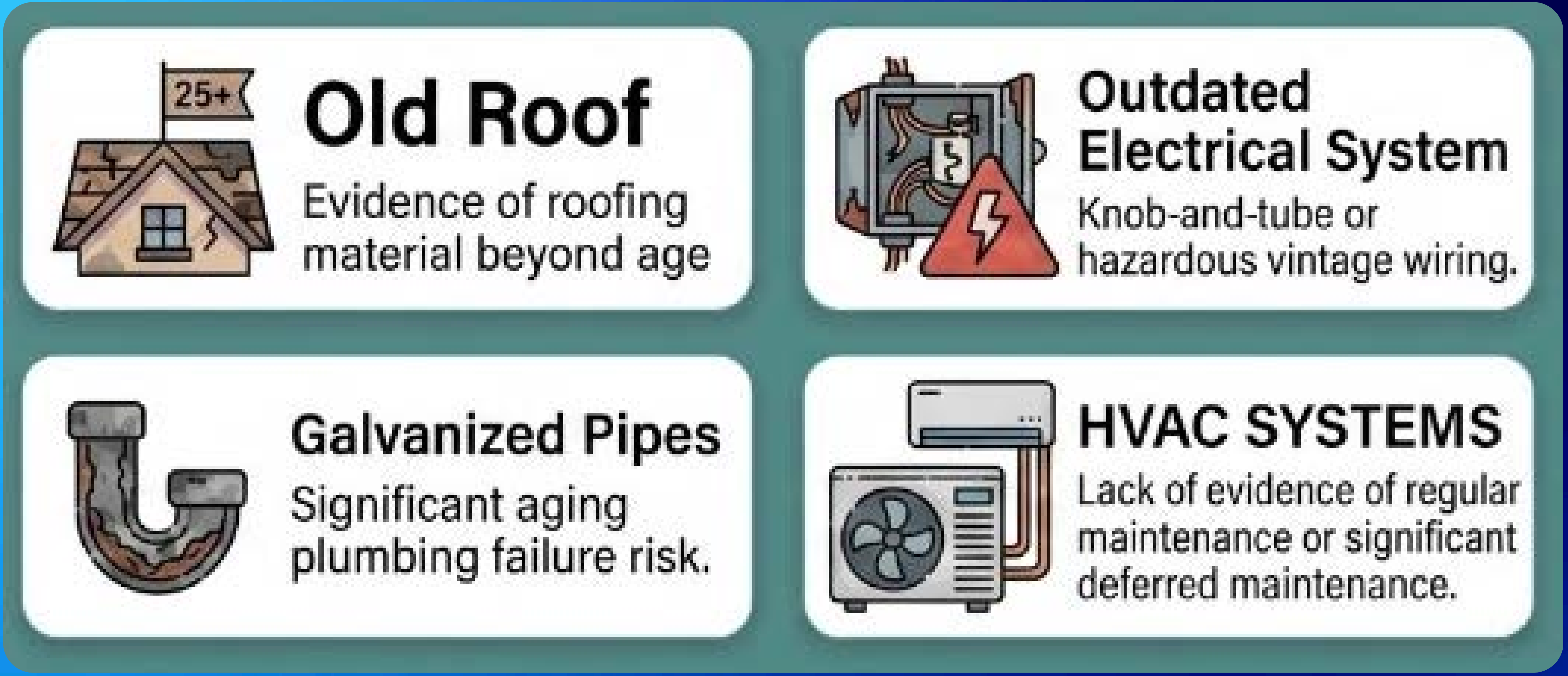
FACTOR#2 Hardening of the Insurance Market



"Underwriting Discipline"

Loss performance
Valuations
Deferred Maintenance

Deferred Maintenance



Not all reflected on your Reserve Study

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CAI Meets with FHFA Leaders to Discuss Condo Lending Eligibility Concerns

by Dawn Bauman, CAE | Jul 22, 2025 | Advocacy, Community Associations Institute, Compliance, Condo Safety, Fannie Mae, Federal Advocacy, FHFA, Freddie Mac, Insurance | 3 comments

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Submitted via:
To: Siobhan.Kelly@fhfa.gov
CC: CongressionalAffairs@FHFA.gov

June 10, 2025

The Honorable Bill Pulte
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

Dear Director Pulte,

On behalf of the Community Associations Institute (CAI), thank you for the opportunity to share urgent concerns and specific policy recommendations to modernize condominium lending eligibility requirements administered by Fannie Mae and Freddie Mac. CAI represents more than 50,000 stakeholders in the community association housing model, including 77 million of homeowners in approximately 370,000 community associations across the U.S. a significant portion of which are condominiums.

We write to you today with growing alarm. The condo housing market across the country is approaching a crisis point and swift intervention from the Federal Housing Finance Agency is essential to prevent further economic harm. While we commend Fannie Mae & Freddie Mac's commitment to safety, the current lending requirements are disproportionately impacting responsible condominium associations that are diligently working to meet evolving standards for reserves, building maintenance, and insurance.

The headlines reporting the Condominium Crisis are fueling the fears of homebuyers. As reported by Tampa Bay Times on June 3, 2025, "Florida's condo market is in crisis." Legislation such as SB 154 has introduced meaningful reforms, but the associated costs are straining association budgets. Bay News 9 reports that post-Surfside reforms

AMERICA'S ADVOCATE FOR RESPONSIBLE COMMUNITIES

CAI's Request to FHFA Leaders

01 **Modernize requirements**

Modernize and clarify insurance and reserve requirements to reflect current market realities.

02 **Eliminate impractical requirements**

Eliminate impractical requirements such as mandatory full replacement cost coverage and non-standard deductible limits.

What Fannie Mae & Freddie Mac's Latest Policy Changes Mean for Condominium Associations, Lenders, and Homeowners

by Dawn Bauman, CAE | Mar 18, 2026 | Advocacy, CAI, Community Association Guidance, Community Associations Institute, Fannie Mae, Freddie Mac | 14 comments

COVERAGE SUFFIENCY

100%

REPLACEMENT COST

At least 100% RC is required, and lenders may rely on any of the following to document that coverage meets the requirement:

01 GRC: Guaranteed Replacement Cost coverage

02 ERC: Extended replacement cost coverage

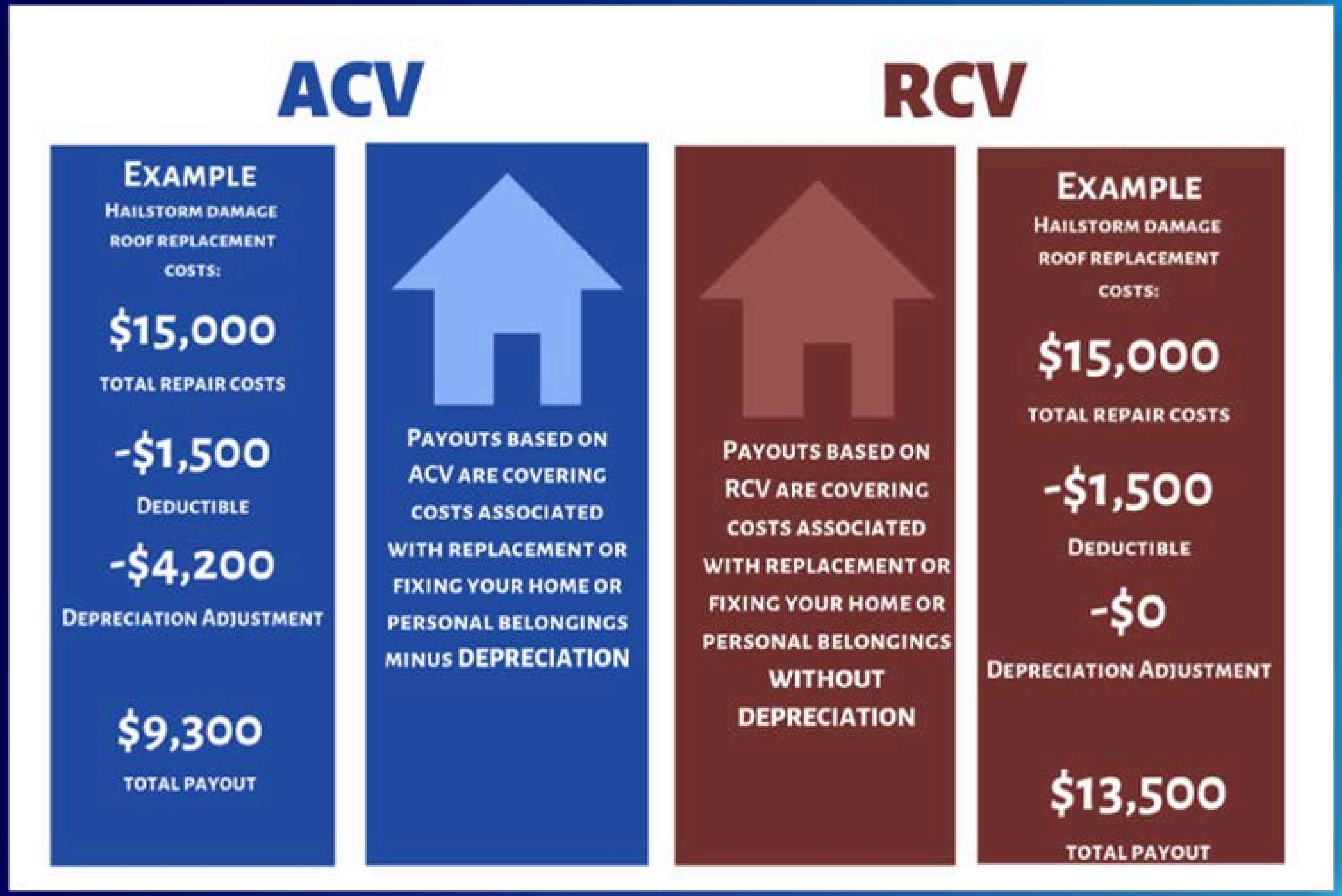
03 Replacement cost value estimate provided by the carrier

04 The project's insurance risk appraisal

05 A statement from the insurer or other applicable professional with appropriate expertise to make such a determination

Roof Valuation

Prior requirement was to insure building and roof for 100% Replacement Cost



Flexibility is welcomed but **NOT** to be taken as a reason to reduce coverage
Review Association's Governing Documents

YOC 1987, roof replaced in 2012, next replacement 2037

1. Replacement Cost Valuation shall apply as regards to Real & Personal Property; Except roof coverings to be Actual Cash Value if originally installed or last fully replaced prior to 2013.

2. Any additional premium or return premium under $500 shall be waived, except for new perils or coverages added.

3. Warrant no losses last 6 years on properties to be covered unless specified in Property Application.

4. Warrant no Exterior Insulation Finish System (EIFS) Construction.

5. The complete Named Insured listing (if any) is per schedule on file with the Program Manager.

Inflation Guard

Deductible Example

TOTAL DAMAGE

$300,000

30 units affected

Average impact: $10,000 per unit

The Hidden Power of Deductibles

- Total damage $300,000
- 30 units affected

  (average of $10,000 per unit)
- **$25,000 Per unit Water Damage Deductible (PUWDD)**
- **Insurance proceeds: $10,000**

  (One unit $35,000 - $25,000 Ded)

  (29 units under $25,000)

- Total damage $300,000
- 30 units affected

  (average of $10,000 per unit)
- **$100,000 Per Occurrence Deductible**
- **Insurance Proceeds: $200,000**

  ($300,000 - $100,000 Ded)

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Per-Unit Deductible (PUD)

KEY PARAMETERS

01 **Maximum PUD**
Should not exceed $50,000 **per unit.**

02 **HO6 coverage**
Required to cover the per-unit deductible.

03 **Should not exceed 5% of the building value**
$60M building value × 5% = $3M

What about a $100,000 Per Occurrence deductible?

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HO6 required if...

01 **Interior coverage is excluded**

Any portion of the unit interior or improvements is not covered by the master property policy.

02 **The master policy carries a PUD**

The building's master property policy includes a per-unit deductible.

The HO6 deductible should not exceed 5% of the property insurance coverage amount or $2,500.

EXAMPLE

$400,000 unit value × 5% = $20,000

Request to Delay Funding Implementation until Jan 4, 2028

NAMB
NATIONAL ASSOCIATION OF MORTGAGE BROKERS SINCE 1973

community ASSOCIATIONS INSTITUTE

CHLA COMMUNITY HOME LENDERS of AMERICA

DEFERRED MAINTENANCE

FROM POSTPONED REPAIR TO

ACTIONABLE PLAN

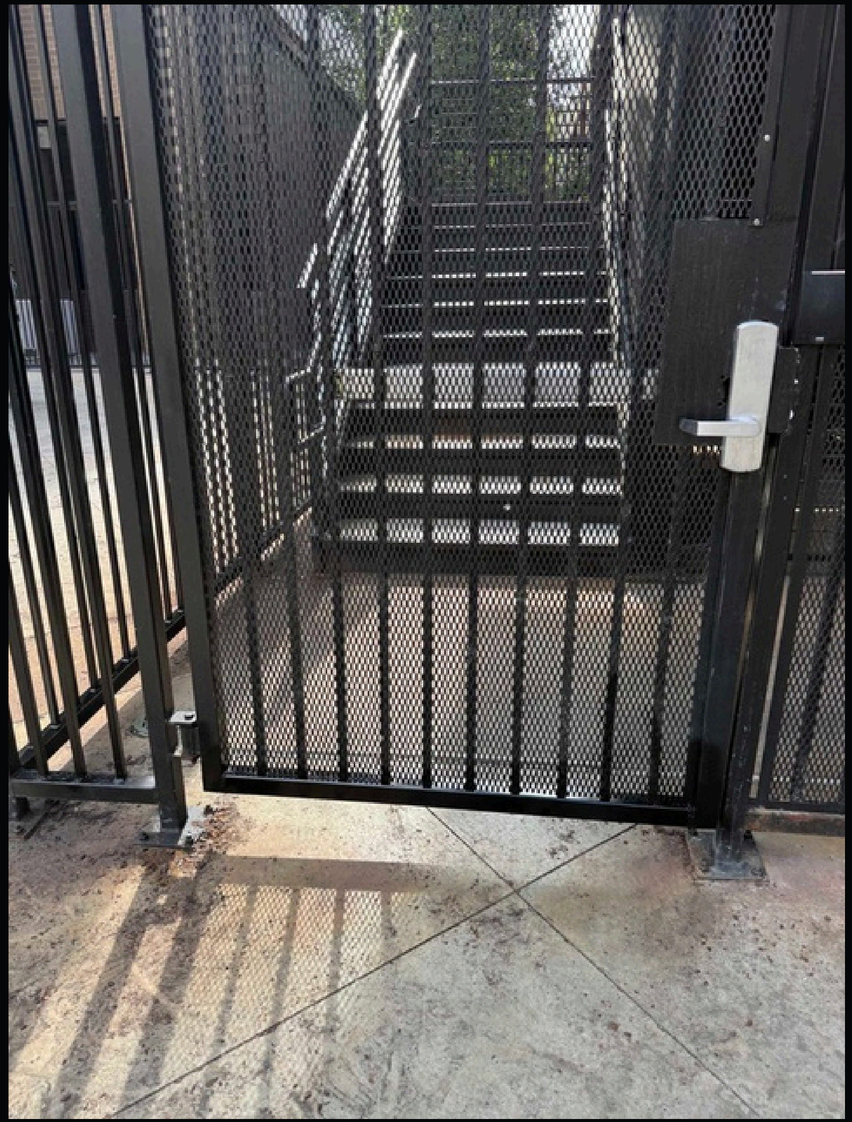
Smart maintenance decisions today protect your community's assets,
financial health, and future.

2 DEFERRED MAINTENANCE
DOESN'T ALWAYS LOOK DRAMATIC

Small issues today can become safety, access, and liability concerns tomorrow.

BEFORE

AFTER



LOWER GATE DETERIORATION IS FULLY VISIBLE

VERO MAINTENANCE + CONSTRUCTION

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3 WHEN MAINTENANCE BECOMES A CAPITAL PROJECT

AGING SYSTEMS. REPEATED REPAIRS. KNOWN WORK POSTPONED.

REPLACEMENT BECOMES THE RIGHT SOLUTION.

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REPLACEMENT BECOMES THE RIGHT SOLUTION.

4 DEFERRED → DISCOVERED → CORRECTED

Exterior Deck / Balcony Repair — concealed conditions revealed during opening

DEFERRED (WHAT YOU SEE)

DISCOVERED (WHAT'S UNDERNEATH)

CORRECTED (COMPLETED)

The longer deterioration goes unaddressed, the less predictable the scope, cost, and disruption.

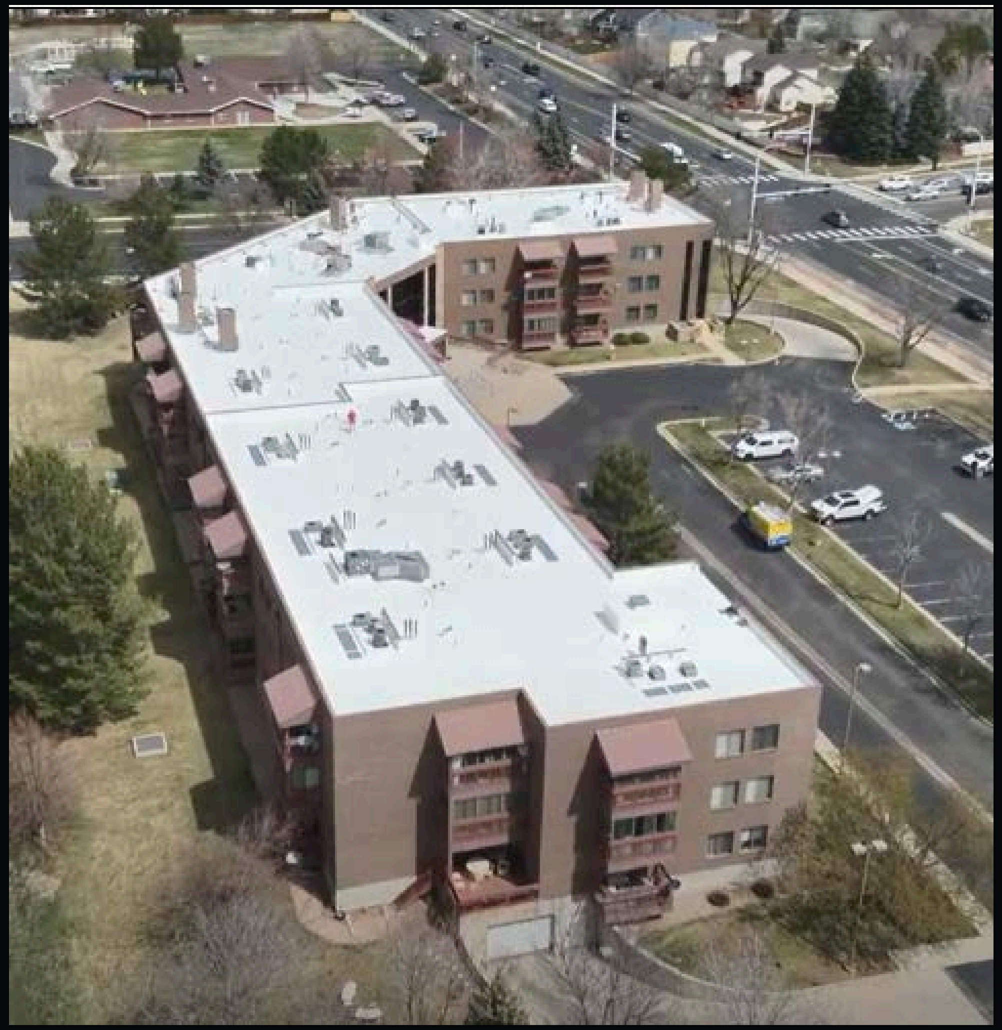
THE PROBLEM IS OFTEN BIGGER THAN WHAT YOU CAN SEE.

VERO MAINTENANCE + CONSTRUCTION

5 A CONDITION IS VERY DIFFERENT FROM AN UNMANAGED CONDITION

BEFORE

PHASING / PLAN



AFTER

1. **IDENTIFIED** — We know what exists.
2. **EVALUATED** — Qualified professionals are involved.
3. **PRIORITIZED** — We understand urgency.
4. **FUNDED** — There is a financial strategy.
5. **SCHEDULED** — There is a path to remediation.
6. **DOCUMENTED** — We can demonstrate what we're doing.

A PLAN BUILDS CONFIDENCE. DOCUMENTATION BUILDS TRUST.

6

WHY THIS MATTERS

BEYOND MAINTENANCE

Deferred maintenance impacts more than today's budget.

1 → 2 → 3 → 4 → 5

1 — PROPERTY CONDITION
Physical state of the community

2 — RESERVES & FUNDING
Ability to address current and future needs

3 — DOCUMENTATION
Decisions, evaluations, plans and completion records

4 — LENDING / INSURANCE
Scrutiny, approvals, premiums and requirements

5 — MARKETABILITY
Sales, refinancing, and long-term values

The condition of your property doesn't stay within the maintenance department anymore.

It affects financial health and homeowner confidence.

VERO MAINTENANCE + CONSTRUCTION

ejf BOARD LEARNING

7 WHAT BOARDS & MANAGERS CAN DO NOW

BOARD

- ✓ Understand major asset conditions
- ✓ Fund reserves realistically
- ✓ Make and document decisions
- ✓ Act on professional recommendations
- ✓ Avoid repeatedly postponing known priorities

MANAGER

- ✓ Walk the property regularly
- ✓ Document emerging conditions
- ✓ Compare conditions to the reserve study
- ✓ Escalate recurring repairs
- ✓ Bring the right professionals in early
- ✓ Maintain the project and documentation trail

YOU DON'T NEED A COMMUNITY WITH ZERO MAINTENANCE ISSUES.

YOU NEED TO KNOW WHAT YOU HAVE, UNDERSTAND THE RISK, AND SHOW WHAT YOU'RE DOING ABOUT IT.

VERO

DEFERRED MAINTENANCE

FROM POSTPONED REPAIR TO ACTIONABLE PLAN

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MAINTENANCE TODAY. PROTECTION TOMORROW.

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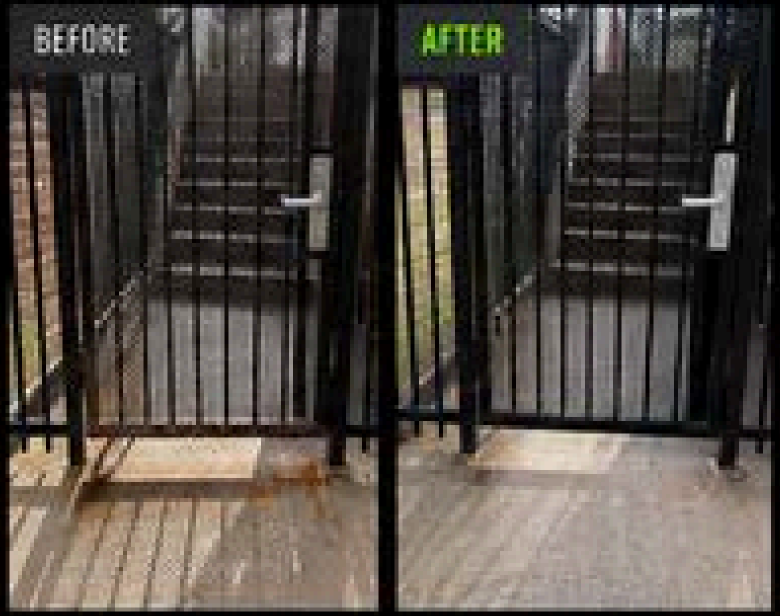
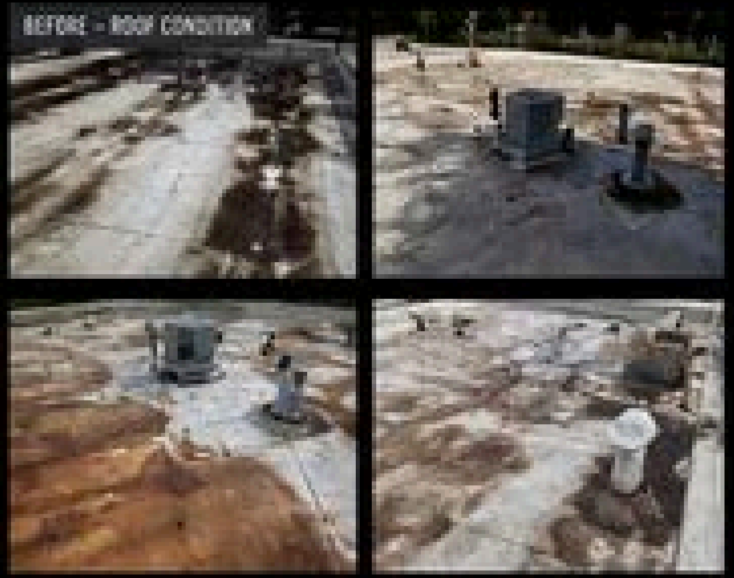


INSPECT. DOCUMENT. EVALUATE. CORRECT. CLOSE THE LOOP.

3 WHEN MAINTENANCE BECOMES A CAPITAL PROJECT

Corbin Manor Condominiums – Roof



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REPLACEMENT BECOMES THE RIGHT SOLUTION.

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Exterior Deck Replacement – Corbin Manor

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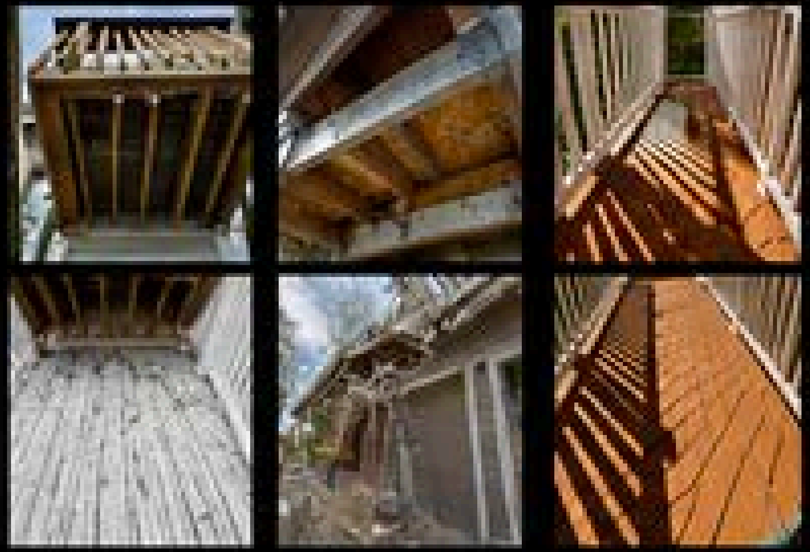

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Southridge Condominiums – Roof Replacement

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Q & A

The Lending Landscape Shift

The Lending Landscape Shift

What Every Board Needs to Know

EJF REAL ESTATE