

HOA DOCS DIRECT
A NexEdge Venture

Fannie Mae & Freddie Mac Condo Compliance Checklist

The 2025-2026 requirements every underwriter and title team must verify

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Project Eligibility (Fannie Mae)

- Project is not a condo-hotel or resort**
Transient use properties are ineligible. Verify zoning and CC&Rs.
- No single entity owns >10% of units**
Concentrated ownership triggers LL-2026-03 review.
- Owner-occupancy ratio is 50% or higher**
Investor-heavy buildings face higher scrutiny or rejection.
- Commercial space is 35% or less of total**
Mixed-use projects must meet this cap. Verify square footage allocation.
- Project is 100% complete with CO issued**
New construction needs certificate of occupancy. Phased projects require review.
- HOA is not in bankruptcy or receivership**
Financial distress disqualifies the project.
- No pending litigation affecting common areas**
Construction defect suits can make the project uninsurable.

Insurance Requirements (Updated 2025)

- Master policy covers 100% of replacement cost**
Actual cash value policies do not meet Fannie/Freddie standards.
- Deductible does not exceed \$25,000**
Or 5% of total insurable value, whichever is greater.
- Flood coverage if in SFHA (100-year zone)**
FEMA flood map verification required. NFIP or private flood accepted.
- Liability coverage of at least \$1M per occurrence**
Umbrella policies can supplement if master policy is insufficient.
- No exclusion for mold, earthquake, or terrorism**
Check endorsements and exclusions carefully.

FHA-Specific Requirements

- Condo is on FHA's approved condo list**
Check HUD.gov. Approval expires and must be current at closing.
- FHA case number assigned before appraisal**
The case number ties the borrower to the specific unit.
- Owner-occupancy ratio is 35% or higher**
FHA standard is lower than Fannie Mae but still requires verification.
- No more than 50% of units are FHA-insured**
FHA concentration cap prevents over-reliance on government backing.
- HOA budget includes line item for reserves**
FHA requires evidence of reserve funding in the annual budget.

VA-Specific Requirements

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- Condo is on VA's approved condo list**
Check VA.gov. Separate from FHA and Fannie Mae lists.
 - Project has at least 5 units**
Small projects may not qualify. Verify minimum unit count.
 - No more than 49% of units are VA-guaranteed**
Concentration limit similar to FHA but slightly lower.

Documentation Checklist for Underwriters

- [] **Condo questionnaire (FNMA Form 1076/1077)**
Must be completed by management or board. No borrower-completed forms accepted.
- [] **Current master policy declarations page**
Shows coverage limits, deductibles, named insured, and policy period.
- [] **Current HOA budget and prior-year actuals**
Look for deficit trends and reserve adequacy.
- [] **Reserve study (condos, 5+ units)**
Required by Fannie Mae. Must be within 3 years.
- [] **CC&Rs and all amendments**
Check for rental restrictions, age limits, and pet policies that may affect eligibility.
- [] **HOA financial statements (last 2 years)**
Review for special assessments, delinquencies, and operating deficits.
- [] **Estoppel or status letter**
Confirms current dues, special assessments, and no outstanding violations.

WARNING

Fannie Mae's LL-2026-03 (effective January 2026) tightened insurance deductible caps and reserve study requirements. Underwriters using pre-2026 checklists may miss new compliance triggers.

Need Help With HOA Documents?

HOA Docs Direct provides condo document packages with lender compliance verification. We flag insurance gaps, reserve shortfalls, and approval list issues before they reach underwriting.

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