April 2026
Newsletter

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Keough & Moody Webinar

Wednesday, April 29, 2026, at 12:00 p.m.

TOP 10 BEHAVIORS THAT DISTINGUISH ***GREAT*** BOARDS FROM GOOD ONES

(IN NO PARTICULAR ORDER)

*2 hours of continuing education credit will be provided**

Gabby Comstock & Dawn Moody of Keough & Moody
April 29, 2026, 12:00 p.m.-2:00 p.m.

Over the years, Gabby and Dawn have had the pleasure of working with some really great boards and board members. As we often talk about what boards are doing wrong, Dawn and Gabby decided it is time to talk about the boards that are not only doing it right, but also doing it GREAT! In this two-hour webinar, Gabby and Dawn will talk about what distinguishes a great board from a good one. During this discussion, attendees will learn what they can do to help the board members they manage or work with to focus on certain behaviors. Gabby and Dawn will provide specific examples of how great boards have handled hard situations. The goal of this webinar is not only to energize managers and board members to do better, but also to remind everyone that following some basic guidelines can make serving on and working with a board so much better!

Join Gabby and Dawn in this 2-hour webinar by registering to attend.

REGISTER HERE

***"Top 10 Behaviors That Distinguish Great Boards From Good Ones (In No Particular Order)" is approved by the Community Association Managers International Certification Board (CAMICB) to fulfill continuing education requirements for the CMCA® certification. It is also approved by the IDFPR to fulfill continuing education requirements for maintaining a community association manager license.**

Fannie Mae Did It Again!

Change in Requirements Related to Condominium Project Standards and Property Insurance Requirements

On March 18, 2026, Fannie Mae issued a letter to all Fannie Mae Single Family Sellers/Servicers, which identified updates on project standards and property insurance requirements related to lending within community associations. Fannie Mae concluded that since 2023, it has seen a correlation between condominium projects that have underfunded reserves for capital expenditures and those in need of critical repairs. For this reason, it revised some of its requirements with the intent of improving the financial health of condominium projects, along with promoting long-term sustainable ownership. The complete Lender Letter can be found here:
https://singlefamily.fanniemae.com/media/44986/display.
The following is a summary of the changes made that apply to Illinois communities.

Expansion of Waiver of Project Review

Fannie Mae's "Waiver of Project Review" allows a lender to skip the standard and comprehensive review of a condominium or co-op project's legal and financial health. This Waiver of Project Review shall now apply to projects that have 10 or fewer units, so long as the project is not part of a master association or larger development. In addition, the project must:

1. not have an "unavailable" status in Condo Project Manager (which is a tool that allows a lender to review and certify condominium projects to determine if they meet Fannie Mae's eligibility requirements);
2. meet all applicable insurance requirements; and
3. not have any critical repairs or evacuation orders in place.

This change is effective immediately.

Retirement of Investor Concentration Limits

Fannie Mae set a cap on the percentage of units within a condo project that may be owned by investors. Previously, if a project had 50% or more of the units owned by investors or as rentals, the condo project was typically considered ineligible. Fannie Mae is retiring this investor limit as part of the Full Review option. (Fannie Mae's Full Review certifies an entire condo project; thus, all units within the project are generally eligible for sale to Fannie Mae if the individual loan requirements are met.) This change is effective immediately.

Retirement of the Limited Review Process

Fannie Mae's Limited Review process applies to established projects and, as the name suggests, requires less documentation than a full review, which results in a faster approval. Fannie Mae is retiring this process. A lender may implement this change immediately but must implement it for all loan applications dated on or after August 3, 2026.

Enhanced Reserve Requirements

Currently, when a project's budget does not meet the minimum reserve contribution requirements, Fannie Mae's policy allows a lender to request a reserve study to show that the contribution amount is sufficient. In other words, the reserve study can be relied on to justify the lower percentage in the project's budget being allocated to reserve contributions. While a waiver can still be obtained, this policy is changing so as to require the lender to verify that the condo project's budget includes the *highest* recommended reserve allocation amount in the reserve study. Lenders are encouraged to implement this change immediately but must do so for all loan applications dated on or after August 3, 2026.

<u>Increased Replacement Reserve Requirements</u>

Fannie Mae previously required the project to allocate at least 10% of its annual budget to reserves. Fannie Mae is changing this policy to require projects to allocate **<u>at least 15%</u>** of its annual budget to reserves. This change applies to all loan applications dated on or after January 4, 2027.

<u>Property Insurance Requirements for 1-4 Unit Properties: Documentation Related to Coverage Sufficiency</u>

Projects must submit documentation to verify that the insurance covers 100% of the replacement cost value of the property. For 1-4 Unit projects, this requirement is being retired. Likewise, while roofs must be insured, they do not have to be insured on a replacement cost basis. This change is effective immediately.

<u>Master Property Insurance Requirements: Documentation Related to Coverage Sufficiency</u>

Fannie Mae requires a project's master property insurance to cover 100% of the replacement cost of all residential structures and the common elements. Fannie Mae is eliminating the requirement that documentation must be provided to verify the cost value amount stated in the master property insurance policy. It is also eliminating the requirement to insure roofs on a replacement cost basis. (Under the replacement cost basis, damaged property is repaired or replaced with new, similar-quality materials at today's cost, without deducting depreciation.) Fannie Mae is also retiring the requirement that project developments have inflation guard coverage. (Inflation guard endorsements adjust homeowners insurance coverage annually to prevent one from being underinsured.) These changes are effective immediately.

<u>Deductible Requirements</u>

The maximum allowable per-unit deductible under a master property insurance policy is **$50,000** per unit. While lenders are encouraged to implement this change immediately, the change applies to all loan applications dated on or after July 1, 2026.

<u>Individual Property Insurance Requirements for a Unit: Documentation Related to Coverage Sufficiency</u>

A borrower is required to have a unit owners property insurance policy when any portion of the interior unit or its improvements is not covered by the master insurance policy, or the master insurance policy includes a per-unit deductible. The minimum amount of this unit owners property insurance policy must be at least:

1. the amount sufficient to cover any portion of the interior of the unit or improvements not covered by the master policy in order to restore the unit to its condition prior to a loss event; or
2. the amount of the per-unit deductible under the master property insurance policy, whichever is greater.

These changes are effective immediately.

Fannie Mae is also requiring that if the master property insurance policy includes a per-unit deductible applicable to a specific peril, the unit owners property insurance policy must include coverage for that peril. In addition, the unit owners property insurance policy must provide coverage on a replacement cost basis. Fannie Mae is encouraging lenders to implement these two changes immediately, but no later than all loan applications dated on or after July 1, 2026.

Maximum Deductible Requirement for Individual Property Insurance

Fannie Mae replaced its maximum deductible requirement for a unit owners property insurance policy. For all required property insurance perils, the maximum deductible amount is the greater of 5% of the property insurance coverage amount or $2,500. This change is effective immediately.

Property Insurance Requirements for 1-4 Unit Properties: Monitoring Insurance Policies

Fannie Mae updated its requirements for monitoring property insurance policies for properties that have 1-4 Units. The Letter includes a table that describes the minimum requirements, which differs if the policy obtained if new or a renewal policy.

Annual Insurance Reminder

Fannie Mae established a new requirement on servicers (the financial institution) to provide a reminder to the borrower of his responsibility to maintain insurance on the property. The reminder by the servicer should also recommend that the borrower contact his insurance provider to review his coverage. Lenders are encouraged to implement this change immediately, but they must do so by January 1, 2027.

Lender-Placed Insurance

The servicer must obtain lender-placed insurance in response to notification that coverage is being cancelled, non-renewed, or has lapsed. Lenders are encouraged to implement this change immediately, but they must do so by January 1, 2027.

With these changes, what should management and members of a board of directors do now?

1. Contact the association's insurance agent to review the terms of the association's master insurance policy to ensure compliance with these changes.
2. Confirm the association has an updated reserve study (one that is not more than 3 years old), and if not, obtain one.
3. When it comes time to prepare the 2027 budget, budget for an updated reserve study if applicable, and be sure that the proposed budget includes 15% of the association's annual assessments is allocated to reserves.

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