

Freddie Mac Guideline Update Selling & Servicing Changes

Freddie Mac released [Bulletin 2026-C](#) with updates to condominium project eligibility and property insurance requirements. Below is a concise summary of the key impacts for our lending operations:

Condominium Projects

- Expanded “Exempt from Review” eligibility to certain 2-10 unit projects.
- Removal of 50% owner-occupancy requirement for established condo projects.
- Retirement of Streamlined Review (effective for apps \geq 8/3/2026).
- Enhanced reserve study requirements and increased minimum reserve allocation (to 15% effective 1/4/2027).
- Florida condos: removal of CPM “Approved by Fannie Mae” requirement.

Property Insurance (Major Changes)

- RCV calculation requirement removed for 1-4 unit properties; roofs no longer required to be covered on a replacement cost basis.
- Updated deductible limits (generally capped at 5% of coverage limits).
- Added clarity on peril requirements (named storms must be included in wind coverage).
- Inflation guard endorsement requirement eliminated.
- Updates to HO-6 requirements for condos (coverage tied to deductible/interior coverage gaps).

Servicing & Monitoring

- Strengthened insurance monitoring and documentation requirements.
- Electronic data acceptable for evidence of insurance.
- New annual borrower insurance reminder requirement.

Effective Timing

- Many updates effective immediately; others phased in (notably July 2026, August 2026, and January 2027).

Action Items

- Review underwriting overlays for condo eligibility and insurance.
- Update training and job aids for processing/underwriting teams.
- Coordinate with servicing on monitoring and borrower notification updates.



Fannie Mae Guideline Update Selling & Servicing Changes

Fannie Mae released Lender Letter LL-2026-03 outlining updates to condo project standards and property insurance requirements. Below is a concise summary of the key impacts:

Project (Condo) Standards

- Expanded Waiver of Project Review to include projects with ≤10 units (with eligibility conditions).
- PERS requirement removed for new condo projects in Florida.
- Investor concentration limits eliminated (previous 50% cap removed).
- Limited Review process retired (effective for apps ≥ 8/3/2026).
- Enhanced reserve study requirements (must use highest recommended allocation; no baseline funding method).
- Increased replacement reserve requirement to 15% (effective 1/4/2027).

Servicing Updates

- Enhanced insurance monitoring requirements for servicers.
- New annual borrower insurance reminder requirement.
- Clarified processes when coverage decreases or cannot be verified.

Effective Timing

- Many updates effective immediately.
- Key phased dates include July 1, 2026, August 3, 2026, and January 1, 2027 (servicing alignment).

Property Insurance (Key Changes)

- RCV documentation requirement removed for 1–4 unit properties.
- Roofs no longer required to be insured on a replacement cost basis.
- Master policies must still provide replacement cost coverage (excluding roofs).
- Inflation guard requirement removed for project developments.
- Per-unit deductible capped at \$50,000 for master policies.
- Updated HO-6/unit policy requirements tied to interior coverage gaps or master policy deductibles.
- Unit policy deductible capped at 5% of coverage or \$2,500 (whichever greater).

Action Items

- Update condo review overlays and underwriting guidelines.
- Align insurance review processes with new coverage/deductible rules.
- Coordinate with servicing for monitoring and borrower notification changes

