MFM Bulletin: 014-2026

Date: June 15, 2026

Subject: Fannie and Freddie Condominium/PUD Requirement Updates

In March, 2026 Fannie Mae and Freddie Mac made substantial updates to their property insurance requirements and Condominium/PUD project standards. Some of those changes were announced in MFM Bulletin 009-2026 dated March 30th (attached). The following are additional Condo/PUD project requirements and insurance updates announced in the bulletins with effective dates.

- **Retirement of the Limited Review Process:**
  Fannie Mae and Freddie Mac will now longer allow the Limited Review/Streamlined process for Condo projects. All established projects previously eligible for Limited Review must now be reviewed using the Full Review process. NOTE: This change also effectively retires the remaining geographic restrictions that apply to the state of Florida.

  - **<u>Effective Date</u>: Loan applications dated on or after July 1, 2026**

- **Enhanced Reserve Study Requirements:**
  Current policy allows lenders to obtain a reserve study to demonstrate a project has sufficient reserves when it is not budgeting for replacement reserves that meet Fannie Mae/Freddie Mac Guide requirements.

  We are updating this policy to clarify when lenders use this flexibility, they must verify the project's budget includes the highest recommended reserve allocation amount in the reserve study to adequately cover the costs identified.

  NOTE: Lenders are no longer permitted to use the baseline funding method which is the option that allows the reserve cash balance to approach but never fall below zero.

  - **<u>Effective Date</u>: Loan application dated on or after July 1, 2026.**

- **Additional Property insurance Requirements for Project Developments:**
  See following pages…

Master Property Insurance Requirements for Project Developments		
Deductible Requirements – Per Unit	Retiring the maximum deductible requirement of 5% per unit, including the ability to exceed 5% for certain per occurrence, per unit requirements. [NEW] If the master property insurance policy includes a per unit deductible, the deductible now may not exceed $50,000 per unit. All other deductible requirements remain unchanged, except for Freddie Mac alignment; see below.	Effective Date: For all loan applications dated on or after July 1, 2026; however, Lenders may implement immediately.
Individual Property Insurance [HO-6 Policy] Requirements for a Unit in a Project Development		
Determining when a unit owners property insurance policy is required	The borrower must have a unit owners property insurance policy when: • Any portion of the interior of the unit or improvements to the unit are not covered by the master property insurance policy, or; • The master property insurance policy includes a per unit deductible.	Effective Date: For all loan applications dated on or after July 1, 2026.
Coverage sufficiency	The HO-6 coverage limit amount must be at least equal to the greater of: • The amount sufficient to repair the unit to at least its condition prior to the loss, or; • The amount of the per unit deductible, if the master property insurance policy includes a per unit deductible. Coverage amount sufficiency should be based on the best information known or available to the lender or servicer, which may include information obtained from the borrower in collaboration with the insurer or insurance agent, the HOA or co-op corporation legal documents, or other professional with appropriate expertise to make such a determination.	Effective Date: For all loan applications dated on or after July 1, 2026.
Required perils	• [Freddie Mac alignment with Fannie Mae]If the master property insurance policy includes a per unit deductible applicable to a specific required peril, the unit owner's property insurance policy must include coverage for that peril. • Named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number are a required component of windstorm coverage	Effective Date: For all loan applications dated on or after July 1, 2026.
Deductible requirements	HO-6 deductible requirements to state that the HO-6 policy deductible(s) cannot exceed the greater of 5% of the coverage limit or $2,500.	Effective immediately
Loss settlement	The unit owners property insurance policy must provide coverage on a replacement cost basis.	Effective Date: For all loan applications dated on or after July 1, 2026.

Please contact the MFM Underwriting department (underwriting@memberfirstmortgage.com) if you have any questions or concerns.

Thank you