GSE Condo/HOA Lending: Questionnaires, the "Blacklist," & New Reserve Rules

1. Who fills out the GSE condo/HOA questionnaire?

There's no single required answer — it depends on who the lender designates — but in practice:

- **HOA/community manager —** Most common. They have day-to-day operational knowledge of the property.
- **Management company —** Often has a dedicated "condo cert" team that handles nothing but these forms.
- **Board president/treasurer —** Less common; more typical for self-managed associations.
- **HOA attorney —** Rarely fills it out, but is increasingly consulted beforehand because of liability exposure. Some attorneys now advise clients not to complete these forms at all.

2. The "blacklist" and the deferred-maintenance trap

- Fannie Mae keeps a private, internal list of condo/HOA projects it will not buy loans for ("ineligible"/"unavailable"). Freddie Mac uses its own separate review process.
- Projects usually land on the list because of answers given on the questionnaire — most often inadequate insurance, inadequate reserves, or deferred maintenance.
- Deferred maintenance often gets read as a "structural/construction issue." Since virtually every association has some deferred maintenance, an honest "yes" can trigger ineligibility — and most managers answering these forms are not engineers, so they're often not equipped to judge how a technical answer will be scored.
- The system compounds this: a lender's automated underwriting often doesn't flag project ineligibility up front. It frequently surfaces later, after the buyer has already paid for inspection and appraisal fees.

3. Can lenders/escrow companies use their own, stricter forms? Why?

Yes — and it happens often. Fannie Mae and Freddie Mac set only the minimum standard. Individual lenders are free to add their own, tougher "overlay" questions on top. This is a deliberate risk-management choice, driven by two related exposures:

- **Can't resell the loan.** A loan can close, but if the project's file is later found marginal on reserves, insurance, or condition, Fannie/Freddie can decline to purchase it — leaving the lender holding a loan they expected to sell and can't.
- **Repurchase ("buyback") risk.** Even after Fannie/Freddie buys a loan, if it defaults early (commonly within 24 months) and it's later found the project didn't actually meet guidelines, the lender can be forced to buy the loan back or cover the loss — potentially tens of thousands of dollars on a single loan.

Net effect: lenders pad the standard form with extra questions and documentation to protect themselves — not because Fannie/Freddie requires it, but because they bear the resale/buyback risk. This also means a project can be rejected by one lender's overlay and approved by another lender's standard review for the exact same loan type.

4. New reserve funding requirement — effective January 4, 2027

	Old minimum (10%)	New minimum (15%)
Annual HOA budget: $1,000,000	$100,000 to reserves	$150,000 to reserves

- Starting with loan applications dated on/after Jan. 4, 2027, condo associations must allocate at least 15% of their annual budget to reserves (up from 10%).
- Exception: the 15% budget rule doesn't apply if the association has a reserve study completed/updated within the last 3 years and is funding at the study's highest recommended level (baseline/threshold funding is no longer accepted as a valid argument).
- More loans will be tested against these higher standards. On Aug. 3, 2026, Fannie Mae retires "Limited Review" (the lighter process) for established projects, pushing far more transactions into "Full Review," where reserves, budget, delinquency, and litigation are actually examined.

Important distinction

- **"Underfunded" =** a reserve study concept measuring the size and strength of the reserve fund itself. It means the association's Reserve Balance is less than the value of Reserve component deterioration that currently exists. Being underfunded is the result of years of funding Reserves less than the pace at which Reserve components have been deteriorating.
- **The 10%/15% rule =** A lending-eligibility concept. It's a blunt, budget-based screen Fannie/Freddie use to decide whether they'll buy loans in a project — not a substitute for a real reserve study. A project can hit 15% of budget and still be badly underfunded per its reserve study, or vice versa.

Bottom line: This is a Fannie Mae/Freddie Mac (conventional loan) requirement. Its purpose is to encourage condo boards towards Reserve funding that provides for the sustainability of the property (the security for the mortgage), and also to minimize unsettling special assessments facing the borrower. These adjustments provide no guarantee about Reserve Fund adequacy.

For more information on Reserve Study requirements, please feel free to contact **Robert Nordlund at Association Reserves**: **www.reservestudy.com.**

5. When does the HOA actually get contacted during a sale?

Not all at once, and not right when the home is listed. It's several separate requests, from different parties, at different points:

- **Listing goes active —** Nobody contacts the HOA yet.
- **Buyer goes under contract —** The seller's agent, buyer's agent, or escrow/title company orders the resale package/certificate (governing docs, budget, minutes, financials) from the management company — typically 30–60 days pre-closing. HOAs usually have 5–10 business days to respond.
- **Escrow opens —** Escrow separately contacts the management company to order the payoff demand letter, confirming dues owed/paid current.
- **Loan moves to underwriting —** The buyer's lender — not the agent — orders and pays for the condo/lender questionnaire, often later in the process, sometimes not until the loan is well into underwriting. This is why problems on it can surface late and compress the closing timeline.
- Turnaround for HOA/management company responses on any of these typically runs 3–14 business days, longer during busy seasons — late-starting requests or slow HOA response can force rush fees or delay closing.
- Some questions on the lender questionnaire (e.g., whether the budget is "adequate") arguably should never be answered by a board member, volunteer, or manager alone — part of why some associations route it through counsel or a reserve specialist rather than having one person answer it solo.

6. Key triggers for the ineligible/"unavailable" list — and how to prevent them

Fannie Mae and Freddie Mac don't publish the list itself, but they do publish the criteria that put a project on it. These are the recurring triggers, why each one matters to the lender, and what a community can do proactively.

Critical repairs / significant deferred maintenance

Why it's a trigger: Any condition affecting the safety, structural integrity, or habitability of units or the project is an automatic red flag — the lender is really asking, "will this collateral still be standing and livable through the life of a 30-year loan?"

Prevention: Keep a written capital-repair schedule and address safety-related items (roofs, balconies, structural, life-safety systems) as soon as they're identified, not deferred to "next budget year." Document completed repairs with dates, invoices, and engineer/inspector sign-off so the questionnaire can show "resolved," not "pending." HOA Best Practice is for Condos to have a Maintenance Plan with full Inspections (all common areas inspected at least once per year) and a Maintenance Program to perform the inspections, corrective and preventive maintenance monthly or more often. These proactive best practices ensure small problems don't become larger critical repairs.

Inadequate or excluded insurance

Why it's a trigger: currently one of the top two reasons projects are flagged. The lender needs assurance the project can rebuild after a loss without a special assessment large enough to bankrupt owners.

Prevention: Maintain a master property (hazard) policy at full replacement cost — not a pooled or shared policy — with the HOA named as insured, plus required liability, fidelity, and flood coverage where applicable. Review deductibles annually; very high deductibles (common after recent hard-market renewals) can flag a project even with a policy in place.

Pending or significant litigation

Why it's a trigger: litigation tied to safety, structural soundness, habitability, or functional use signals unresolved risk and potential future cost the lender can't quantify. Minor litigation (e.g., the HOA suing a delinquent owner, or a fully-insured, low-dollar claim) generally does not trigger ineligibility.

Prevention: Loop in legal counsel early to help characterize and, where possible, resolve or bond around safety/structural claims quickly. Keep clear records distinguishing routine collection lawsuits from anything touching building safety or soundness.

High delinquency rate

Why it's a trigger: if more than 15% of units are 60+ days past due on regular or special assessments, it signals the HOA may not be able to reliably fund operations or reserves — which threatens the lender's collateral indirectly.

Prevention: Enforce the collection policy consistently and keep dated delinquency reports on hand. Track special-assessment collections separately, since past-due special assessments count toward the same 15% threshold.

Inadequate reserves / no funded reserve study

Why it's a trigger: reserves are the project's ability to self-fund major repairs without a special assessment or loan default cascade. This is the 10%—15% rule covered in Section 4.

Prevention: Fund at least the required percentage of budget, and better yet, get (and keep current) a full reserve study and fund at its highest recommended level — this can exempt the association from the flat percentage rule entirely.

Investor concentration, short-term rentals, or “condotel” use

Why it's a trigger: Fannie Mae generally requires at least 50% of units be owner-occupied primary/second homes; projects operating like hotels (daily/short-term rentals) aren't eligible for GSE financing as a matter of policy, regardless of condition or finances.

Prevention: Track owner-occupancy vs. rental ratios over time, and where the governing documents allow it, consider reasonable rental caps or minimum lease-term rules before the ratio becomes a problem.

Unbudgeted or recurring special assessments

Why it's a trigger: a special assessment for a known, predictable expense signals the operating budget and reserves weren't sized correctly in the first place — the exact planning failure the reserve rules are meant to prevent.

Prevention: Build predictable capital costs into the annual budget and reserve contributions rather than relying on assessments after the fact; reserve for known future needs identified in the reserve study.

Common thread: every trigger above rewards the same habits — fund reserves proactively, fix safety issues immediately rather than deferring them, keep insurance and legal exposure current, and keep clean, dated documentation. The single biggest lever underneath nearly all of it is proactive, scheduled maintenance: a community that inspects and maintains its roofs, structures, and major systems (ALL Common Areas) on a predictable, recurring cycle catches small problems while they're cheap, rarely faces the kind of “critical repair” or safety-related special assessment that triggers ineligibility, and walks into every reserve study and questionnaire with a clean, well-documented history instead of a scramble. Reactive, deferred maintenance is what turns a routine repair into a lending problem — proactive maintenance is what prevents it from becoming one.