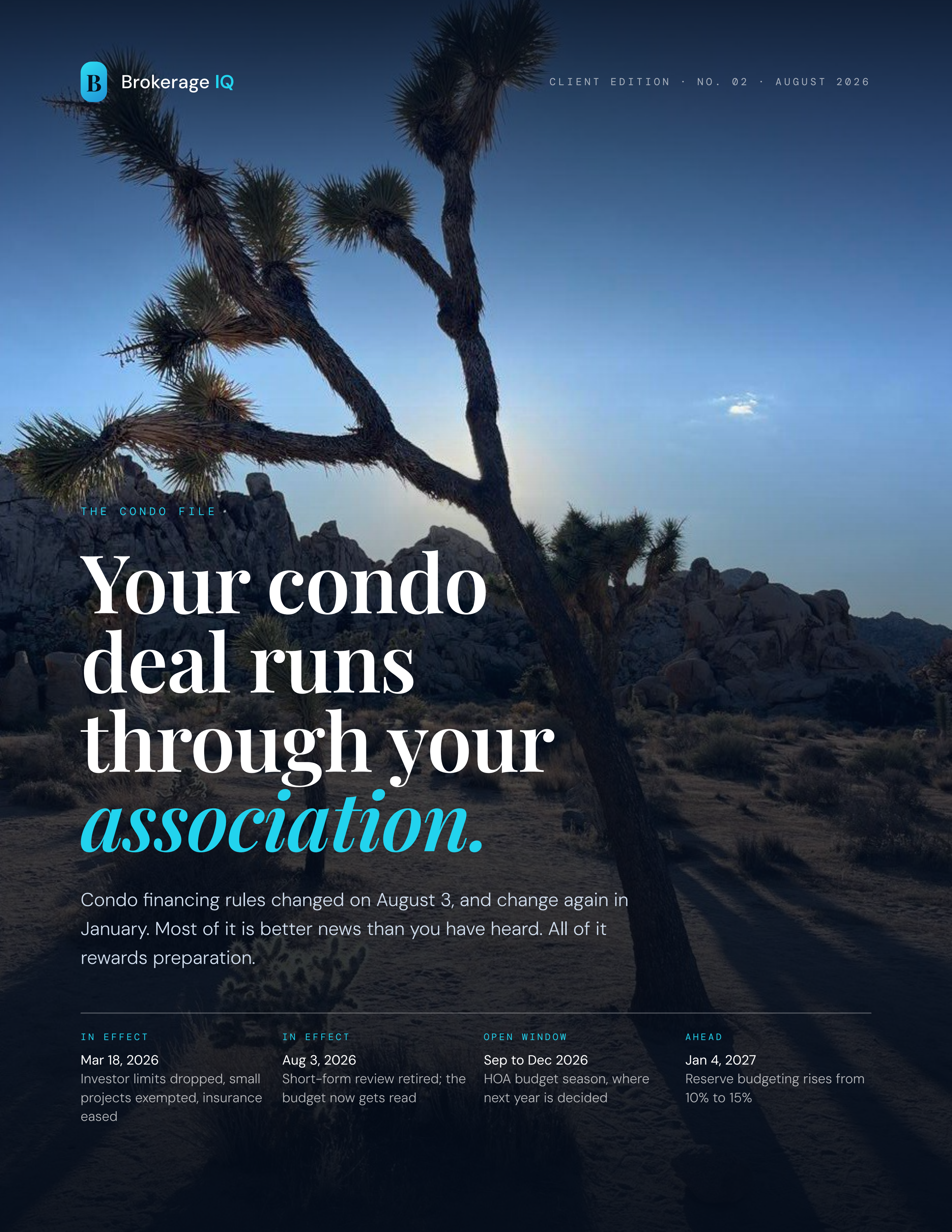

Brokerage IQ

CLIENT EDITION · NO. 02 · AUGUST 2026

THE CONDO FILE ·

Your condo deal runs through your *association.*

Condo financing rules changed on August 3, and change again in January. Most of it is better news than you have heard. All of it rewards preparation.

IN EFFECT
Mar 18, 2026
Investor limits dropped, small projects exempted, insurance eased

IN EFFECT
Aug 3, 2026
Short-form review retired; the budget now gets read

OPEN WINDOW
Sep to Dec 2026
HOA budget season, where next year is decided

AHEAD
Jan 4, 2027
Reserve budgeting rises from 10% to 15%

FROM THE DESK OF JOEY DOMINGUEZ

Surfacing this for you now, so a lender is not the one raising it once you are in escrow.

If you are thinking about buying or selling a condo in the valley this fall, a set of rules changed underneath you and almost nobody has explained it in plain language.

Here is the honest shape of it. Several changes made condos **easier** to finance, and those are real. One change asks a lender to look at your association's finances in a way it did not before. None of it is a reason for alarm. All of it rewards asking a few questions early, while there is still room to act on the answers.

This is not a legal document and it is not lending advice. It is what I would want to know if I owned a unit or were about to buy one, written in plain language because part of my fiduciary duty to you is making sure you are never the last to hear something that affects your transaction.

> WHAT IS INSIDE
>
> **What changed**, and the four things people are getting wrong. **Why the calendar matters** more than the rule. **The one report** that now has two readers. **What to ask**, whether you are selling or buying, and who to ask.

Joey Dominguez

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THE WHOLE CHANGE IN ONE LINE

A lender now reads your association's budget.

Until August 3, most established projects could be financed through a short-form review. It checked nearly everything the long form checks. The one thing it skipped was the money: the annual budget, and whether owners were behind on dues.

That short form is retired. Nationally it was used on up to 40% of condo loans, so a great many transactions now carry a document step they did not carry a month ago. Nothing else about qualifying for the loan itself has changed.

TODAY

10%

of regular assessment income budgeted to reserves

FROM JAN 4, 2027

15%

on loan applications dated on or after that day

TYPICAL OWNER IMPACT

$13

to $14 a month, per published figures, to make that move

THE DETAIL WORTH CARRYING

The requirement attaches to **the date the buyer applies for the loan**, not the date escrow closes. A December application is measured at 10%. A January application on the same unit is measured at 15%.

AND THE PART THAT GOT EASIER

MORE UNITS NOW QUALIFY

The 50% investor cap on established projects is gone. Second homes were never capped.

Projects of ten units or fewer can qualify for a waiver of review.

AND COST LESS TO INSURE

Roofs no longer have to be insured at replacement cost.

Guaranteed and extended replacement cost now count as full coverage.

FOUR THINGS THAT ARE NOT TRUE

The misinformation is moving faster than the rules are.

"Our association has to have 15% sitting in the bank."

No. This is a budgeting requirement, not a cash requirement. The lender reads a budget line. There is no request for account statements and no minimum balance. No association should be passing a special assessment to satisfy it.

"The association has to commission a reserve study."

No. A study is an alternate path, used when the budget alone does not meet the requirement. A good study remains excellent practice for any association. It is not a condition of financing.

"If the reserve study says 30%, we have to fund 30%."

No. There is no greater-of test. An association budgeting 16% passes on its budget even if its study recommends more. The study only becomes the measuring stick if the association chooses that route.

"The lender's condo questionnaire is required, so the fee is required."

No. The questionnaire is an industry convenience, not a rule. Lenders use it because it collects a dozen answers in one place. Who fills it out, how quickly, and what it costs sit between the lender, the association, and the parties.

ONE NUMBER THAT QUIETLY MATTERS

The percentage is measured against **regular assessment income**, not every dollar the association collects. Laundry income, utilities passed straight through to owners, special assessments, and dues passed up to a master association can generally be excluded. A project that looks short on paper may pass once the math is done properly.

THE DATE THAT ACTUALLY MATTERS

It is your association's budget meeting, not January 4.

Your association has almost certainly handled this already, or is in the middle of handling it. These changes have been telegraphed for a long time, and the boards and managers who do this work do it tirelessly. They tend to see this coming and budget for it well before anyone asks. I surface it for all of my clients anyway.

Associations are writing their 2027 budgets right now. Most California associations adopt in the fall and distribute the annual budget report to owners before the fiscal year begins. That document, written this quarter, is the one a lender will read next year.

A budget adopted at 10% this fall governs every loan application in the building after January 4.

If you own a unit, you are a member of that association and you have every right to ask what next year's reserve allocation looks like. That question costs nothing.

ONE REPORT, TWO READERS

The report you already have to hand a buyer is now read by the underwriter too.

California requires condominium associations to inspect exterior elevated elements, meaning balconies, decks, stairways, and elevated walkways substantially supported by wood. That obligation is **Civil Code section 5551**. The first inspection deadline was January 1, 2025, and it repeats every nine years.

As of **January 1, 2026**, the most recent inspection report is part of the statutory resale disclosure package a seller owes a buyer, under **Civil Code section 4525**. That is already standard in every California condo sale.

What is new is the second reader. Under the full review, a lender will ask whether an inspection report was completed in the last three years, will want to see it, and will ask what was repaired as a result.

WHY THIS ONE MATTERS MOST

The same report now reaches two parties with two different powers. Your buyer reads it and can **negotiate**. The underwriter reads it and can **decline**.

Deferred repairs used to be a price conversation. They can now be an eligibility question. Most associations will clear this without incident. The point is simply to know what your report says before you are under contract rather than during.

HOW THE PAPERWORK ACTUALLY MOVES

Everyone has a role. The clock only starts when someone asks in writing.

Once escrow opens, the escrow officer orders the association's document package. The association is required to deliver it. Under **Civil Code section 4530**, an association has **ten days** from a written request to provide the documents listed in section 4525 to the owner or the owner's authorized recipient, and delivery cannot be withheld for any reason other than payment of the permitted fee.

So this is a collaboration with a real timeline behind it. Escrow orders. The association delivers. Your agent tracks. I stay on it. Where deals get into trouble is not usually bad faith. It is a request made late, made verbally, or made to the wrong person.

THREE HABITS THAT PREVENT ALMOST ALL OF IT

01

Start before you list, not after you open escrow

Documents that take a week in September take three in December, when every file in the valley asks at once.

02

Treat a verbal date as information, not a commitment

A completion date given over the phone is worth what the person giving it knows. Requests and answers go in writing, and they go into your file. That is not distrust. It is how a timeline becomes something you can rely on.

03

Owners get faster answers than agents do

If we hit a wall, I will ask you to make the request in your own name as a member. It is not a formality. It routinely works when nothing else does.

FOR SELLERS

Make your building easy to underwrite.

Buyers do not choose between two condos on paperwork. Lenders absolutely choose between two files, and the clean one closes faster and with fewer renegotiations.

ASK YOUR ASSOCIATION FOR THESE, IN WRITING

- [ ] **The current budget and the draft 2027 budget**, including the percentage of regular assessment income going to reserves
- [ ] **The most recent exterior elevated element inspection report**, if applicable, and what repairs followed
- [ ] **Any reserve study** completed in the last three years
- [ ] **Any special assessment** levied, pending, or under discussion
- [ ] **The current master insurance policy**, including whether it carries a per unit deductible
- [ ] **The dues delinquency rate**, meaning how many owners are behind
- [ ] **Who completes lender questionnaires**, if any, what it costs, and how long it takes
- [ ] **Whether the project already holds a Fannie Mae or Freddie Mac approval**
- [ ] **Which lenders have already underwritten the project**, and how recently

THE TWO QUESTIONS ALMOST NOBODY ASKS

The **draft 2027 budget** determines whether a buyer can finance your unit after the first week of January.

An existing project approval, or a lender already working in your community, can take weeks off a buyer's timeline. That is a selling point, and almost no listing in this valley is using it.

FOR BUYERS

You are buying a unit and financing a building.

Both have to qualify. The good news is that the building's standing is knowable early, and one question almost nobody asks can save you weeks.

Ask which lenders have already reviewed the project

Project reviews are reusable and they expire. A lender's own review of an established project is generally good for a year and stays with that lender. A Fannie Mae project approval can carry up to three years and any lender may rely on it. A lender who reviewed your building in March starts from a very different place than one starting from zero in October. Ask before you write an offer.

Then look closely at the insurance line

Master policies may now carry a per unit deductible of up to $50,000. Where one exists, you must carry your own unit owner policy covering at least that deductible and the same risks, with your own deductible capped at the greater of 5% of coverage or $2,500. Get a real quote once you know the building. It is often a different number than buyers assume.

Two more. If a project budgets close to the current 10% minimum, the calendar matters, so raise it with your lender in advance. And all of this describes conventional financing. FHA and VA run their own condo approval processes, so say so at the very start if you are using either.

BEFORE YOU REMOVE YOUR LOAN CONTINGENCY

- [ ] **Confirm the project cleared review**, not only that your own loan was approved
- [ ] **Read the budget's reserve line**, and ask whether next year's budget changes it
- [ ] **Read the inspection report**, if there is one, and ask what was repaired
- [ ] **Ask about special assessments** levied, planned, or discussed
- [ ] **Price your own policy** against the actual master policy deductible
- [ ] **Check your loan application date** if you are buying near the new year

WHAT WE WILL AND WILL NOT DO

Part of representing you well is being clear about what a license does not cover.

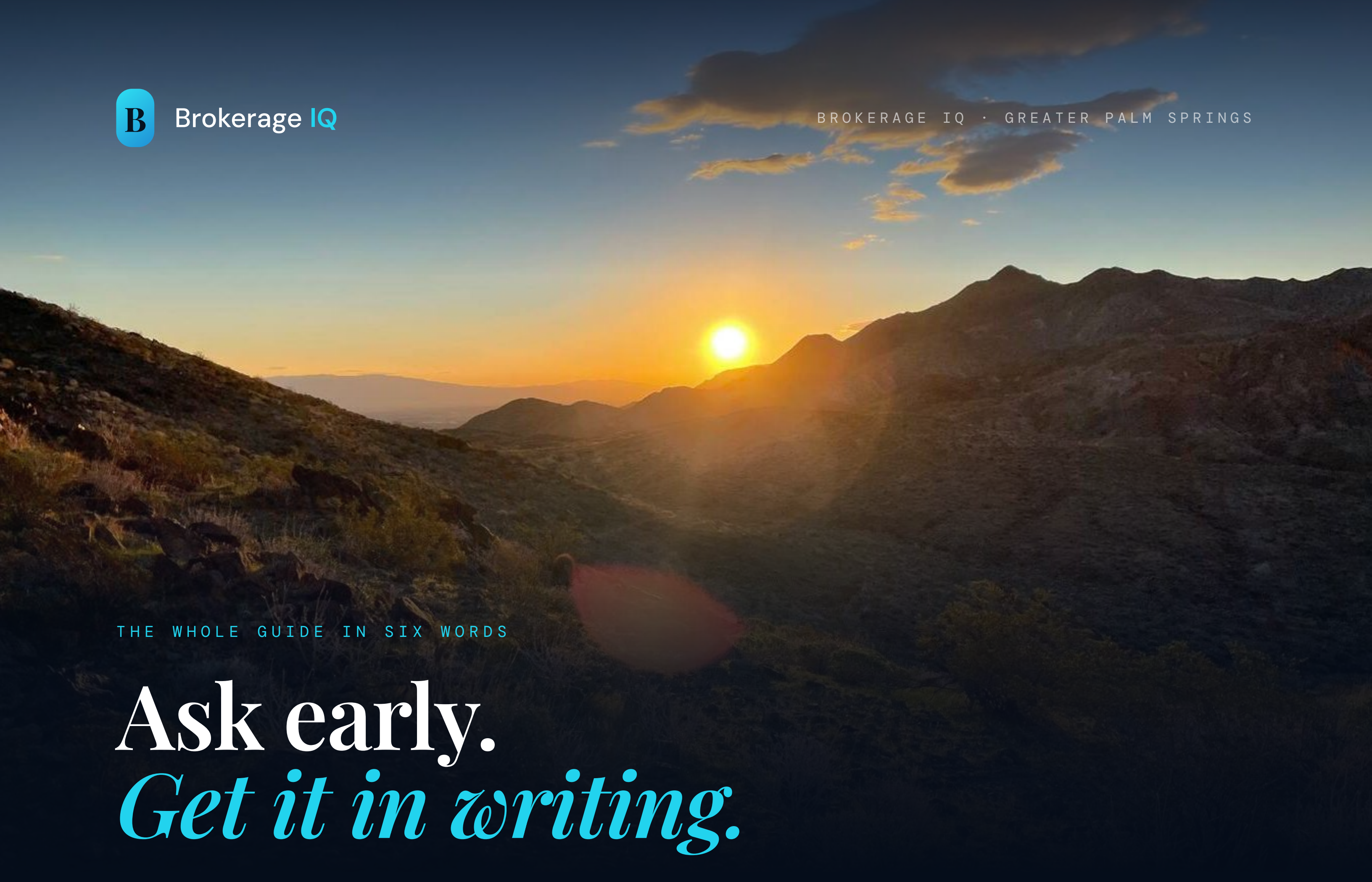
WE WILL

- Track association documents, and specifically the date of delivery to and from buyer and seller, in writing
- Handle document sourcing and summarization, so you know what each one says and where it came from
- Build a contingency timeline for this fall's actual pace
- Ask your lender which projects they have already reviewed
- Put every material fact we learn into the file, in writing

WE WILL NOT

- Tell you whether a project will pass underwriting. That is the lender's call
- Interpret an engineering or inspection report. That belongs to the engineer
- Estimate the cost of a repair or a future assessment
- Advise you on your disclosure obligations. We refer you to an attorney
- Call an association's answer fine when we have not seen it in writing
- Promise a closing date that depends on a party we do not control

That second column is not us holding back. It is us staying inside what a real estate license actually covers, which is exactly what protects you if anything is ever questioned.



THE WHOLE GUIDE IN SIX WORDS

Ask early.
Get it in writing.

If anything here raises a question about your building, bring it to me. Nothing in this guide is a reason to wait, and none of it is a reason to worry. It is a reason to ask, because asking is easy.

Joey Dominguez

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AN AI-POWERED CALIFORNIA REAL ESTATE PLATFORM · GREATER PALM SPRINGS AND THE COACHELLA VALLEY

The Condo File · Client Guide v1.0 · August 2026. Based on Fannie Mae Lender Letter LL-2026-03 (March 18, 2026) and related published guidance on project standards and property insurance, together with California Civil Code sections 4525, 4530, and 5551. This guide is general information for California condominium owners and buyers. It is not legal, tax, insurance, lending, or appraisal advice, and it does not describe every requirement that may apply to your property, your association, or your transaction. Requirements are set by the government sponsored enterprises and by California law and are subject to change. Questions about loan eligibility go to your lender. Questions about your disclosure obligations go to a California real estate attorney. Nothing here is a representation about the condition or financial standing of any specific association or property.