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Industry observers link the shift to the deadly 2021 Surfside condo collapse in Florida. MARK HUMPHREY/ AP

Why Your Condo Fees Are Likely to Rise

Tighter mortgage rules are forcing boards to bolster reserves for repairs

BY VERONICA DAGHER

Many condominium boards are facing pressure to raise dues to comply with tightening federal lending rules.

The government-backed mortgage giants Fannie Mae and Freddie Mac are asking condominiums to set aside more of their budgets in reserve accounts that can be used to pay for capital projects. A large share of condo homeowners associations are underfunding their reserves, potentially leaving them vulnerable to expensive surprise repairs. To bolster reserves, they will likely have to raise dues from homeowners.

Note

While the higher reserve standard takes effect early next year, Fannie and Freddie increased scrutiny on condo sales starting last week by ending fast-track mortgage approval for condo buyers.

Fannie and Freddie stand behind much of the mortgage market by buying up home loans to package into bonds and sell to investors. They exert an outsize role in deter--mining mortgage-underwrit ing standards, and they are using that power to get condos, many of which are growing old, to set aside more money for physical upkeep.

Under the updated rules, condo associations will need to allocate at least 15% of their annual dues income to reserves, up from 10% currently.

Many condo associations likely fall short of this requirement.

Note

Nationally, 39% of condo associations operate in a "weak" financial state, with reserve funds less than 30% funded, according to data from Association Reserves, a firm that evaluates condos' financial health. The firm compared the buildings' total savings with their physical wear.

Note

Reserve balances in Florida rank significantly weaker than elsewhere in the country due to legacy state laws that al--lowed unit owners to vote annually to waive reserve funding. "The big mistake boards make is thinking that reducing reserve funding reduces reserve expenses," said Robert Nordlund, founder of Association Reserves. "Mother Nature and Father Time scoff at boards thinking they have a say in the matter."

Under the new Fannie and Freddie rules, if a complex falls short and can't get an ex-emption, potential buyers might not be able to secure standard financing. That would make it more difficult to buy, as well as refinance an existing loan.

Industry observers link the shift toward more-stringent condo requirements to the 2021 Surfside condo collapse in Florida, which killed 98 people. Afterward, Fannie Mae broadened its oversight and updated its internal list to track developments barred from conventional loans over safety, insurance or maintenance concerns.

Stricter post-Surfside lender requirements are already derailing condo sales as certain buyers struggle to secure loans, according to Scott Weiss, a Nashville, Tenn., condo-association lawyer.

While Tennessee law requires reserve studies, it doesn't mandate funding of reserves. That leads some volunteer board members, reluctant to play the "bad guy" by raising dues, to rely on surprise special assessments instead, he said.

Note

Avoiding necessary dues increases can expose the association, and potentially its board members, to lawsuits from disgruntled owners when a lack of adequate reserves hinders property sales, Weiss said.

Under the updated rules, associations budgeting less than 15% can still qualify if a reserve study supports it— provided the budget includes the study's highest recommended reserve allocation. Fannie Mae estimates that raising an association's reserve allocation to 15% from 10% will increase owner dues by an average monthly $13 to $14 per unit.

Buildings with underfunded reserves are far more likely to have deferred maintenance. Condo associations with declining reserves were over 20% more likely to levy a special assessment than those with stable or growing balances, according to Vantaca, a community management software platform that tracked annual year-end reserve trends across 4,059 associations from 2021 through 2025.

At the same time, Fannie Mae is loosening some insurance requirements for condos that lenders had said were too burdensome.

Even before the new rules, HOA dues have been rising nationally alongside skyrocketing repair costs. Median monthly condo dues stood at $420 in 2026 , up 29% from 2019, according to a Realtor.com analysis of for-sale listings.