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THE CONDO BUYER'S PLAYBOOK | 2026 EDITION

Start With the Building.

How to buy a Southern California condo with confidence, from HOA review to keys in hand

New condo lending rules take effect August 3, 2026. What is changing is inside.

INSIDE

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Serving LA County, Orange County, and the Inland Empire

1 The Third Approval

Why condos play by different rules

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When you buy a house, the lender approves two things: you and the property. When you buy a condo, there is a third approval that surprises almost everyone: the building itself. Your credit can be perfect and your down payment ready, and the deal can still fall apart because of something happening three floors above you. We call it the Third Approval, and this whole guide is built around it.

Every condo loan has three approvals

YOU

Credit, income, assets, and monthly debts. This is the part every buyer expects.

THE UNIT

Appraised value, condition, and whether it supports the price you offered.

THE BUILDING

The HOA's finances, insurance, litigation, and structural health. This is the hidden gate.

The building approval is where deals stall. Lenders call it a condo project review, and the outcome decides which loan programs you can use, what down payment is required, and sometimes whether conventional financing is possible at all. New to the vocabulary? The plain English glossary on page 11 explains every term in this guide.

A NOTE FROM BENSON

Most agents and buyers focus entirely on the unit. After ten plus years of Southern California lending, I built NestMade around the building side, because that is where condo deals are won or lost. It is a pattern we see every month: the board minutes mention a roof bid, nobody reads them, and the assessment lands 60 days after closing. This guide exists so that never happens to you. And when you find a building you like, send me the address before you write the offer. The pre review is free, and the details are on the back cover.

Benson Pang · Founder, NestMade Mortgage | NMLS #1665660

2 Warrantable vs Non Warrantable

The word that decides your loan options

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A condo project is warrantable when it meets Fannie Mae and Freddie Mac standards. Warrantable means access to conventional loans, typically with the most competitive rates and down payments as low as 3 to 5 percent. Non warrantable means the building failed one or more tests, and financing shifts to specialty programs. In plain terms: warrantable is about the building's health, not yours.

WARRANTABLE: THE BUILDING

- ✓ Saves at least 10% of dues into reserves, rising to 15% in January 2027
- ✓ Has no active structural or safety lawsuits
- ✓ Carries adequate insurance, including the new $50,000 cap on per unit deductibles
- ✓ Has no major unfunded repairs (over $10,000 per unit blocks agency financing)
- ✓ Small buildings with 10 or fewer units can often skip project review entirely

NON WARRANTABLE: COMMON TRIGGERS

- × Reserves fall short, or a special assessment for critical repairs is underway
- × Construction defect or structural litigation
- × Hotel style features: front desk, nightly rentals, resort fees
- × Insurance gaps, increasingly common as California premiums climb
- × Inspection reports flag major repairs the HOA has not funded
- × New project still under builder control or not yet sold out

One 2026 change in buyers' favor: the old cap on how many units could be investor owned was removed for most conventional loans, so a building with many rentals is no longer automatically disqualified. FHA and VA follow their own rules, covered on page 7.

THE NESTMADE EDGE

Warrantability is not always obvious from the listing, and two lenders can reach different answers on the same building. NestMade reviews the HOA documents, budget, and insurance up front and runs the project through the right lender the first time. Complexes we have already reviewed close faster.

Key point: non warrantable does not mean unbuyable. It means the financing strategy changes, usually a larger down payment and a specialty lender. Page 7 covers those options.

3

Condo Rules Got Stricter in 2026

What the new lending standards mean for you

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In March 2026, Fannie Mae and Freddie Mac announced the biggest tightening of condo lending standards in a decade (Lender Letter LL 2026 03). You do not need to memorize the rulebook. Here is the timeline, then what each change means for you.

Guideline details on this page are current as of July 2026 and subject to change.

MAR 18, 2026	JUL 1, 2026	AUG 3, 2026	JAN 4, 2027
Rules announced	$50,000 deductible cap	Full Review for all	15% reserve minimum
		THE BIG ONE	

Every building now gets a full checkup

The old shortcut, put 10% or more down and skip most of the building review, ends for applications dated August 3, 2026 and later. Many lenders have already stopped using it.

The savings bar for HOAs is rising

Today an HOA must put at least 10% of its total dues income into reserves; in January 2027 the minimum becomes 15%. Buildings that barely pass today may fail next year, which matters if you plan to refinance or resell.

A new insurance deductible cap

The master policy deductible can now be at most $50,000 per unit, and your personal HO6 policy must cover your share of it. Expect your lender to check both policies.

Unfunded repairs now block financing

If inspections identify critical repairs over $10,000 per unit and the HOA has not set aside the money, the whole building becomes ineligible for conventional financing.

California's balcony law adds another layer

Senate Bill 326 requires California condo associations to inspect balconies, decks, and elevated walkways. Buildings that deferred the repairs are now facing bills, and under the new $10,000 per unit rule those bills can directly affect financing.

TWO QUESTIONS TO ASK BEFORE YOU OFFER

Has the building completed its SB 326 inspection, and what did the report find? And is any special assessment planned or in progress? The answers tell you more about the next five years of ownership than the countertops do.

4

The HOA Document Checklist

Order these on day one, read them like an inspector

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The HOA document package is the building's medical record. Here is what to request and what each item tells you.

CC&Rs and Bylaws

The rules of the community. Check rental restrictions, pet limits, and anything that conflicts with how you plan to live or someday rent the unit.

Current budget and balance sheet

Find the reserve contribution line. Under 10% of dues is a lender problem today, and the bar rises to 15% in January 2027.

Reserve study

An engineer's estimate of upcoming big ticket repairs and whether savings will cover them. A poorly funded study predicts special assessments.

Meeting minutes, last 12 months

The unfiltered truth. Boards discuss leaks, lawsuits, and looming assessments in minutes long before they appear anywhere else.

Master insurance certificate

Confirm replacement cost coverage and check the deductible. Above $50,000 per unit now fails lender review, and your HO6 must cover your share of it.

Litigation disclosure

Any active lawsuit involving construction defects or safety can block conventional financing entirely.

SB 326 inspection report (CA)

Shows the structural health of balconies and walkways and whether repair costs are coming.

> **PRO MOVE**
>
> Send the full package to your loan officer the same day you receive it. NestMade reviews HOA documents through a lender's eyes and flags financing problems while you are still inside your contingency window, when you can still negotiate or walk.

5

What Stalls Financing

How to spot trouble yourself, before the lender does

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Page 3 covered the lender's tests. This page is about your own eyes and ears: where each problem hides and how you can find it during your document review or a Sunday open house.

Thin reserves

Where to look: the reserve line in the budget and the funded percentage in the reserve study. Anything near the minimum today may fail the 15% bar in 2027.

Insurance shortfalls

Where to look: the master insurance certificate. Check the coverage amount and the deductible against the new $50,000 per unit cap.

Active litigation

Where to look: the litigation disclosure and 12 months of minutes. Structural and safety suits are the most serious and usually force a specialty loan.

Hotel style operations

Where to look: a front desk in the lobby, nightly rates on travel sites, or a rental program in the CC&Rs. These push a project into condotel territory.

Special assessments

Where to look: ask the property manager directly, then confirm in the minutes. Ask whether one is paid, in progress, or being discussed.

Single entity ownership

Where to look: the condo questionnaire your lender orders shows whether one investor holds a large share of units, a risk lenders still watch in smaller buildings.

Unfunded major repairs

Where to look: the SB 326 report and reserve study. Repairs over $10,000 per unit with no funding plan now block conventional financing.

Deferred maintenance

Where to look: walk the property. Stained ceilings, cracked stucco, and closed amenities often preview what the reserve study will confirm.

A FLAG IS INFORMATION, NOT A VERDICT

Some of the best condo values in LA and Orange County sit in buildings other buyers passed over. If the issue is priced in and a financing path exists, a flagged building can still be a sound purchase. The costly mistake is discovering the flag after your contingencies expire. Found a building you are unsure about? The free pre review on the back cover exists for exactly this moment.

6

When the Building Says No

Financing paths for non warrantable condos

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If a project fails agency review, conventional financing is off the table but the purchase is not. These are the main paths NestMade uses to close non warrantable condos.

Non QM condo programs

Specialty loans that follow their own rules instead of Fannie Mae's. Expect roughly 10 to 20 percent down and a somewhat higher rate. Options exist for W2, self employed, and 1099 income.

Portfolio lenders

Banks and credit unions that keep loans on their own books can approve buildings the agencies decline, especially local institutions that know the complex.

DSCR loans (for rentals)

If you are buying the condo as a rental, these programs qualify the deal on the unit's rent rather than your personal income, and many accept non warrantable projects.

Larger down payment

More equity widens the lender pool at every tier. At 25 to 30 percent down, options open up considerably.

Fix the building

Sometimes the failure is curable: a budget amendment, an insurance correction, or a litigation letter from the HOA's attorney. NestMade has closed deals by working directly with HOA management.

USING FHA OR VA? DIFFERENT PLAYBOOK ENTIRELY

FHA and VA keep their own lists of approved condo projects, separate from everything on page 3. A building can pass conventional review and still not be FHA approved, or the reverse. FHA can sometimes approve a single unit in a non approved building; VA generally requires the whole project to be approved first. If you plan to use either program, have your loan officer check the approval lists before you fall in love with a building.

PRICE THE TRADEOFF, NOT THE LABEL

A non warrantable condo often sells at a discount precisely because financing is harder. Sometimes the lower purchase price outweighs the higher rate, especially if you plan to refinance after the HOA cures the issue. Run both scenarios before you decide.

7 The True Monthly Cost

Budget the building, not just the mortgage

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Condo affordability has four moving parts, and lenders count all of them in your qualification. Here is the full picture.

COST COMPONENT	WHAT TO KNOW
Principal and interest	Your mortgage payment, set by loan amount and rate.
Property taxes	In most of LA, Orange, and San Bernardino counties, roughly 1.1 to 1.3 percent of purchase price per year. Higher in newer developments with Mello Roos.
HOA dues	Typically a few hundred to over a thousand dollars monthly in SoCal. Dues count against your qualifying ratios dollar for dollar.
HO6 insurance	A policy covering everything inside your walls, your liability, and now your share of the master policy deductible. Required by lenders.

Two costs buyers forget

Dues increases

Rising dues are normal and healthy when they fund reserves, and the new 15% reserve rule will push many HOAs to raise them. Flat dues for a decade is the warning sign, because the catch up arrives as an assessment.

Special assessments

Even in a well run building, plan for the possibility of a one time bill. A cash cushion after closing is part of responsible condo ownership.

HOW LENDERS SEE HOA DUES

At mid 2026 rates, every $100 of monthly dues reduces your maximum purchase price by roughly $15,000 to $20,000. Two identical condos with different dues are not the same price. NestMade runs this math with you before you shop, not after.

8

From Offer to Keys

A realistic 30 day condo escrow

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1. **Before you offer**
   Get fully underwritten preapproval, not just a prequal letter. Share the building address with your loan officer so the project review starts early.

2. **Day 1 to 3**
   Open escrow, the neutral third party that holds the funds and paperwork, and order the HOA document package immediately. This is the single biggest timeline saver in a condo purchase.

3. **Day 3 to 7**
   Appraisal ordered. Loan officer reviews the HOA budget, insurance, and litigation disclosures and confirms the path: warrantable or specialty.

4. **Day 7 to 14**
   Underwriting reviews you, the unit, and the building. Home inspection and HOA document review happen inside your contingency window, the period when you can still cancel and keep your deposit.

5. **Day 14 to 21**
   Conditions cleared: updated statements, insurance binders, any HOA follow ups. This is where early document ordering pays off.

6. **Day 21 to 27**
   Final approval, closing disclosure issued, and the mandatory review period runs.

7. **Day 27 to 30**
   Sign, fund, record. Keys.

WHERE CONDO ESCROWS STALL

Almost always at the HOA document step. Associations can legally take up to 10 days to produce documents, and slow management companies take longer. Order on day one, follow up on day three, and escalate on day five. One planning note: specialty and non warrantable files often run 35 to 45 days, so set your contract dates accordingly.

9 The Pre Offer Checklist

Ten questions to answer before you write

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Ten questions to answer before you write your offer.

- [ ] What are the monthly HOA dues, and what do they include (water, trash, insurance, amenities)?
- [ ] What percentage of dues goes to reserves, and is the HOA ready for the 15% minimum arriving in January 2027?
- [ ] Is there any active or threatened litigation involving the association?
- [ ] Is a special assessment paid, in progress, or being discussed in board minutes?
- [ ] Has the SB 326 balcony inspection been completed, and what were the findings?
- [ ] Did any inspection identify major repairs, and has the HOA funded them?
- [ ] What is the mix of owners and renters, and are there rental restrictions that affect your plans?
- [ ] What does the master insurance policy cover, and is the deductible within the new $50,000 per unit cap?
- [ ] When were the roof, plumbing, and elevators last replaced or majorly serviced?
- [ ] Has my loan officer confirmed whether this specific building is warrantable, or FHA or VA approved if needed?

MAKE IT PART OF YOUR OFFER STRATEGY

Sellers in clean, warrantable buildings know it and price accordingly. If your research surfaces issues, that becomes fair negotiating ground: a credit, a price adjustment, or the seller paying off an assessment at close. What you learn before you offer strengthens your position at the table.

10

Speak Condo

Plain English for every term in this guide

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Escrow
A neutral third party that holds the money and documents while a sale is completed. Opening escrow means the purchase process has officially started.

Contingency
A built in exit. During your contingency window you can cancel the purchase and keep your deposit if inspections, documents, or financing turn up problems.

CC&Rs
Covenants, conditions, and restrictions. The rulebook of the community: what you can rent, renovate, park, and own.

Reserves
The HOA's savings account for big repairs like roofs and elevators. Funded by a slice of everyone's monthly dues.

Reserve study
A professional report estimating future repair costs and grading whether the HOA is saving enough to cover them.

Special assessment
A one time bill charged to every owner when reserves cannot cover a major expense.

Conventional loan
A standard mortgage that follows Fannie Mae and Freddie Mac rules. The most common loan type, and the one all the building tests in this guide apply to.

Warrantable
A building that passes Fannie Mae and Freddie Mac standards, unlocking conventional financing on typically the most competitive terms.

Full Review
The deep lender examination of an HOA's budget, insurance, litigation, and repairs. As of August 2026, nearly every condo loan gets one.

Underwriting
The lender's formal verification of you, the unit, and the building before final loan approval.

Non QM
Loans that follow a specialty lender's own rules instead of agency standards. The main path for non warrantable buildings.

DSCR loan
A rental property loan qualified on the unit's rent instead of your personal income.

HO6 policy
Your personal condo insurance: the unit interior, your belongings, your liability, and your share of the master policy deductible.

Condotel
A condo run like a hotel, with a front desk or nightly rentals. Requires its own specialty financing.

Mello Roos
An extra property tax in some newer California developments that funds local infrastructure. Ask early; it changes the monthly math.

STILL JARGON SOMEWHERE?

If any part of a loan estimate, HOA document, or lender condition reads like a foreign language, send it over. Translating this paperwork into plain English is part of what NestMade does on every file.

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Buying a condo? Start with the building.

NestMade Mortgage specializes in condo financing across LA County, Orange County, and the Inland Empire, including the tough files: non warrantable projects, litigation, low reserves, and the new 2026 rules.

FREE BUILDING PRE REVIEW

Found a condo you like? Send us the address before you write your offer. We will share how lenders are likely to see the building, what it means for your options, and what to negotiate. An informed opinion, not a loan approval. No cost, no obligation.

626.262.4321 | apply@nestmade.com

WHAT WE DO FOR CONDO BUYERS

- Upfront HOA document and warrantability review
- Conventional, FHA, VA, Non QM, and DSCR condo programs
- Direct coordination with HOA management to keep escrow on time
- Straight answers on the buildings we would and would not finance

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