LIVE SESSION

The third **borrower.**

A life-first California condo method for agents

Start with the life.
Then structure the loan.

Daryn Fillis · NEO Home Loans · NMLS #1988371

A mortgage should create options,
not pressure.

The client chose the life. The building changed the financing.

Many project-level problems can be identified before an offer or listing goes live.

3

Approvals, not one

The lender approves the borrower, the unit, **and the building**. All three have to pass. Perfect credit does not save a failed project.

EARLY

Project screening

A full review often begins after contract. Earlier screening creates time to investigate, adjust terms, or choose another financing path.

1

Life plan to protect

A condo may be a more attainable path into the neighborhood the buyer wants. Financing should support the monthly plan, future options, and what comes next.

The building is the **third borrower** in every condo deal.

It is the one too many people never pre-screen.

Why me?

DARYN FILLIS · Certified Mortgage Advisor · Branch Lead

I help LA buyers, sellers, and agents understand the building before the loan structure is locked. That includes conventional agency review and eligible non-warrantable alternatives.

Most lenders do not review the project questionnaire, reserve study, SB 326 status, and other building details before contract. **I run that screen before you write the offer.**

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I also wrote the two guides behind this session: **the Buyer's Pre-Offer Checklist** and **the Seller's Warrantability Checklist**. You're leaving with both. More on that at the end.

The Third Borrower **Method.**

Three steps. Same method whether you're taking the listing or writing the offer.

01
CHECK

Start with the client, the home, and the timing. Then screen the address and HOA across the relevant agency and lender sources.

→

02
CLEAR

Review the documents, questions, and conditions that could change eligibility, timing, or negotiating strategy.

→

03
STRUCTURE

Match the loan to the borrower and the building. Conventional when eligible; evaluate alternatives when it is not.

In the next thirty minutes, I'll challenge three common condo assumptions and give you the checklist I use.

The lender handles the building. That's not my job.

Formal project review often happens after contract. Earlier screening can protect timelines, contingency choices, and the client's confidence.

The client chooses the home first.
The formal review may come later.
Use the gap to protect the plan.

Small buildings are always the hard ones.

It's the one everybody assumes. No professional management, thin reserves, no doorman. It sounds like a financing headache.

In 2026, qualifying small projects gained a waiver path while common shortcuts retired.

2026 changed the review paths.

The project size is only the start; eligibility still depends on the loan and the building.

≤ 10 UNITS: GOT EASIER

The Waiver

For eligible loans, qualifying projects of ten units or fewer **may use a waiver instead of Full Review**. The project and loan still must satisfy the applicable agency requirements.

11+ UNITS: GOT HARDER

The shortcut retired

Limited Review and Freddie's Streamlined Review retired for applications on or after Aug 3, 2026. Established projects now need an eligible review path, often Full Review unless a waiver, approved status, or other permitted path applies.

A prior closing is useful context, not current approval.

Check the project under today's rules.

Source: Fannie Mae LL-2026-03 and Freddie Mac Bulletin 2026-C. Agency eligibility, lender overlays, and project facts still control.

The ten-unit project may have a new waiver path.
The forty-unit project lost a common shortcut.
Screen the building before choosing the loan.

Non-warrantable means there is no path.

It may rule out standard agency financing, but it does not automatically rule out every loan.

When a condo creates a more attainable path into the right neighborhood, test every eligible financing option against payment, cash, fees, timing, and future flexibility.

Non-warrantable is not a verdict.
It is a different decision.

The loan is temporary. The strategy lasts.

STEP 01 · CHECK: WHAT YOU'RE CHECKING AGAINST

Three dates. Know all three.

Mar 18, 2026
RULES ISSUED

Fannie LL-2026-03 · Freddie Bulletin 2026-C. The changes coordinate new review paths and later effective dates.

Aug 3, 2026
SHORTCUT RETIRED

Now effective. Limited Review and Freddie's Streamlined Review retired for applications on or after this date.

Jan 4, 2027
RESERVE RULE

For Fannie Full Review, the replacement-reserve allocation rises **10% → 15%**, unless an eligible reserve-study exception applies.

Already in effect: projects that need critical repairs are generally ineligible for agency purchase until the work is completed. Examples include serious water intrusion, advanced deterioration, failed mandatory safety inspections, and certain unfunded repairs over $10,000 per unit due within 12 months.

Source: Fannie Mae LL-2026-03, B4-2.1-03, and Freddie Mac Bulletin 2026-C. Verify the application date and current lender overlays.

CRITICAL REPAIRS · THE DISTINCTION THAT PROTECTS CLIENTS

Funding matters. Completion still matters.

The $10,000-per-unit threshold applies to certain **unfunded** repairs due within 12 months. It does not erase a separate safety, structural, soundness, or habitability issue.

TRIGGERS THE RULE

- Mold, water intrusion, or damaging leaks
- Advanced physical deterioration
- A deficiency that could fail within 12 months
- Failure to complete a mandatory state, county, or local safety inspection
- **Unfunded** repairs > $10,000/unit due within 12 months

EXCLUDED FROM THE $10K TEST

- Routine and preventive maintenance
- Normal capital replacement on schedule
- Repairs an **individual owner** is paying for
- Repairs funded by a **special assessment** are not “unfunded” for this test
- Damage isolated to a few units that doesn't affect the project's safety or habitability

The distinction: a funded assessment may solve the *unfunded-repair* trigger. If the work is itself a critical safety, structural, soundness, or habitability repair, **agency eligibility generally returns only after the repair is completed.** Ask what the assessment funds, whether work is complete, and what the latest inspection says.

Source: Fannie Mae Project Standards FAQ, Section 3. The special-assessment exclusion is not an automatic warrantability approval.

THE CALIFORNIA-SPECIFIC LAYER

SB 326. And the myth about the extension.

Who it hits	California common-interest developments with 3+ multifamily units and **load-bearing, wood-supported exterior elevated elements** more than six feet above ground.
The deadline	First inspection was due **January 1, 2025**. That is now more than eighteen months past. Every nine years after.
AB 2579	**It did not extend the SB 326 condo deadline.** It amended the separate rental-building law and moved that deadline to January 1, 2026, not 2027.
The financing link	An inspection report showing **unaddressed critical repairs** can make a project ineligible for agency financing until remediation is complete.

Watch for this: "The inspection was done" does not establish whether deficiencies were found or corrected. **Ask for the actual report**, the repair status, and any current local compliance documentation.

Source: California Civil Code § 5551 (SB 326) and AB 2579. This is a financing screen, not legal advice.

STEP 02 · CLEAR

Nine signals that change the financing conversation.

These are screening signals, not automatic outcomes. Current agency rules, lender overlays, loan purpose, and project facts control.

01

Active litigation

HOA as a party. Construction defect, slip-and-fall, vendor disputes. Neighbor-vs-neighbor generally doesn't count. Ask directly, get it in writing.

02

Special assessment

Review purpose, total amount, payment status, and whether any related critical repair is complete.

03

Single-entity ownership

Generally more than 2 units in a 5-20 unit project, or more than 20% in a 21+ unit project; permitted waivers are fact-specific.

04

Delinquent assessments

For Full Review, generally no more than 15% of units may be 60+ days delinquent.

05

Excessive commercial space

More than 35% commercial or mixed-use space is generally ineligible under Fannie's current standard.

06

Hotel / transient operations

Hotel, motel, and certain daily or short-term-rental characteristics can make a project ineligible.

07

Reserve allocation

Full Review uses a budget test today; Fannie's minimum rises to 15% on Jan 4, 2027, with eligible reserve-study exceptions.

08

Unaddressed critical repairs

Funding may address one trigger; critical repairs generally must be completed.

09

Inspection status

Confirm the SB 326 report when applicable and resolve any critical findings.

Sources: Fannie Mae B4-2.1-03, B4-2.2-02, LL-2026-03, and current Project Standards FAQ.

STEP 02 · CLEAR: THE 15-ITEM CHECKLIST

A few phone calls. A clearer financing plan.

DOCUMENTS

6

- → HOA financials: current + prior year
- → Reserve study: current, complete, and consistent with the budget
- → Meeting minutes: last 12 to 24 months
- → Master insurance policy + fidelity bond
- → CC&Rs and bylaws
- → SB 326 report: the report, not a summary

QUESTIONS

5

- → Any pending or active litigation?
- → Any special assessment planned?
- → Any single owner or sponsor concentration?
- → % of owners 60+ days delinquent? **(15% cap)**
- → Short-term rentals: allowed? enforced?

CONDITIONS

4

- → Single-entity ownership within current limits
- → Commercial space within limits
- → Budget or reserve-study path meets current rules
- → **Run the project status check. This is the one that catches what the other fourteen miss.**

Sellers: start **before listing** because document timing varies by HOA.
Buyers: screen early, then coordinate the offer and contingencies with your real-estate professionals.

STEP 03 · STRUCTURE

Non-warrantable? Compare responsible alternatives.

	SOME ASSUMPTIONS	WHAT TO VERIFY
The decision	Assume there is no loan	Check whether an eligible portfolio or non-agency path exists.
Rate + cost	Focus on rate alone	Compare rate, APR, fees, cash to close, and total monthly housing cost, including HOA dues.
Down payment	Assume a fixed minimum	Program, borrower, occupancy, and project determine the requirement.
Project review	Assume agency rules apply	Alternative programs use their own review and eligibility standards.
Credits	Promise the seller will cover it	Negotiate only within contract, appraisal, and program contribution limits.
Future options	Promise a refinance later	Revisit only if borrower, project, equity, and market conditions make the math work.

What to say: tell the client what you know, explain what still needs to be verified, and have them confirm options with their own lender. Do not promise approval, pricing, timing, or a future refinance. **The question is whether this is a sound path into ownership, not whether you can force a loan through.**

Program availability and terms change. All financing is subject to borrower, property, project, appraisal, and underwriting approval; no outcome is guaranteed.

The avoidable pattern.

A sample timeline. Results will vary.

> Week four: conventional financing is declined. **The buyer was not the problem. The project was.** Now the parties have less time, less leverage, and fewer comfortable choices.
>
> If an eligible alternative fits, the loan can be restructured. **But the client now has to make a major decision under pressure.**

Do the work before the offer. Start with the client's plan, screen the building, and compare the financing. That can keep a realistic path into the client's preferred neighborhood open at a price that fits the budget, with a chance to build equity over time.

Sometimes the right call is still, “This is not the right building.”

Quick show of hands.
Who has a condo listing or buyer right now?

Here's what I want you to do with it.

Bring me in early. Two practical tools, both free.

- → **The Project Status Screen** — Send the address and HOA name. I will target an initial read within one business day using available agency and public sources, then identify what still requires HOA documents or lender review. **A screen is not final approval.**
- → **Two guides you can give away** — The Buyer's Pre-Offer Checklist and the Seller's Warrantability Checklist. **Hand one to your buyers at consult and the other to your sellers at the listing appointment.** Fifteen items, nine red flags, and the full critical-repairs appendix.
- → **No obligation, and I mean it** — Some of the people I run checks for end up working with me. Many don't. Either way you should know where the building stands before you commit your client to it.

One address. One HOA name. A clearer next step.

What are you trying *to make possible?*

A free project screen helps clarify the building before you choose the financing path. I target one business day for the initial read.

SEND ME TWO THINGS

The property address (with unit #)
The HOA name (registered name, not the marketing name)

424-396-6967 · myadvisors@neohomeloans.com

darynfillis.com/cal-condo

Request the check.
Download **both guides.**

Or save my number in your phone under **"condo."**
Text me the address the day you take the listing.

The right condo has to do more than pass a financing review. It can be a path into ownership.

A more attainable way into the neighborhood they want, plus the chance to build equity over time.

Start with the life.
Then structure the loan.

LIVE Q & A

Bring me a building.
Let's see if it works.

Could this help your client buy in the neighborhood they want? We'll look at what we know, what we still need from the HOA, and what the full monthly cost could be.

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Free project status check.
Both guides, yours to give away.
Better questions. Better decisions.