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UNIVERSITY

POLICY PLAYBOOK | ISSUE 01

2026 FANNIE MAE POLICY CHANGES

What Mortgage & Real Estate Professionals Need to Know

RENTAL INCOME | UAD 3.6 | APPRAISALS | CONDOS | RESERVES | ADUs

SEPTEMBER 2026 EDITION

Practical education. Current effective dates. Field-level execution.

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How to Use This Playbook

A practical field guide for mortgage loan officers, real estate professionals, processors, and anyone structuring Fannie Mae conventional transactions.

The goal

Translate major 2026 Fannie Mae changes into plain-English execution: what changed, when it becomes mandatory, why it matters, and what to ask before a file gets deep into underwriting.

What this guide covers

- Rental income and lease standards
- Departing residences and recently purchased rentals
- Short-term rental / Airbnb-style income
- UAD 3.6 and the new Uniform Residential Appraisal Report (URAR)
- The changing role of Form 1007
- Condo project review, reserves, investor concentration, and insurance
- Accessory Dwelling Units (ADUs), manufactured housing, and highest-and-best-use changes

Three rules before using any policy summary

1. Always check the current Fannie Mae Selling Guide and the DU findings on the actual case.
2. Investor / lender overlays can be more restrictive than Fannie Mae minimums.
3. Dates matter: some changes are already effective, while others become mandatory in November 2026 or January 2027.

Educational, not underwriting approval

This playbook is an educational summary. It is not a substitute for the current Selling Guide, DU findings, lender overlays, legal advice, appraisal standards, or a case-specific underwriting determination.

Key Effective Dates

The easiest way to understand the 2026 transition is to know which date controls which rule.

DATE	WHAT CHANGES
NOW / IMMEDIATE	Expanded condo Waiver of Project Review for eligible projects with 10 units or fewer; retirement of the 50% investor concentration limit in established projects under Full Review; several insurance updates.
AUG. 3, 2026	Limited Review retired for loan applications on/after this date. Enhanced reserve-study requirements also became mandatory.
NOV. 1, 2026	New rental-income framework becomes mandatory for loans with application dates on/after this date. Lenders may implement earlier.
NOV. 2, 2026	UAD 3.6 becomes mandatory for all new appraisal report submissions to UCDP. New UAD 2.6 submissions receive a Fatal / Not Successful status.
JAN. 4, 2027	For Full Review condo projects, minimum replacement-reserve allocation increases from 10% to 15% of annual budgeted assessment income.

Pipeline warning

The UAD 3.6 mandate is based on the initial UCDP submission date, not the loan application date or appraisal effective date. Manage October appraisal pipelines accordingly.

Primary source: Fannie Mae - UAD 3.6 FAQs

Primary source: Fannie Mae - Announcement SEL-2026-08

Primary source: Fannie Mae - LL-2026-03

DERNIZATION

1. UAD 3.6 + the New URAR

Fannie Mae and Freddie Mac are replacing the legacy form-specific appraisal workflow with one data-driven, dynamic Uniform Residential Appraisal Report.

WHAT CHANGED	MANDATORY DATE	FIELD IMPACT
UAD 3.6 aligns appraisal data to MISMO 3.6 and uses a flexible URAR structure rather than relying on separate legacy forms for each property type.	All new appraisal reports submitted to UCDP on or after Nov. 2, 2026 must use UAD 3.6.	LOs, AMCs, appraisers, LOS vendors, and underwriters need systems and ordering workflows ready before the mandate date.

What to expect

- A single dynamic report structure that adapts to the property and assignment.
- More structured data and fewer critical facts buried in free-form commentary.
- New terminology and data fields, with many legacy abbreviations retired.
- A new workflow for rental information inside the URAR.

Important transition rule

If a UAD 2.6 appraisal was initially submitted before Nov. 2, 2026, revisions may continue on that existing DocFile ID through the UAD 2.6 retirement period. But a brand-new UAD 2.6 report submitted on/after Nov. 2 will fail UCDP submission.

Primary source: Fannie Mae - UAD and Forms Redesign / Timeline

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2. What Happens to Form 1007?

This is the appraisal change many originators will notice first on rental scenarios.

The headline

Under UAD 3.6, Form 1007 is generally not used to develop market rent. Market rent is developed and reported inside the URAR Rental Information section and Rental Comparison Grid.

Legacy vs. UAD 3.6

SCENARIO	LEGACY UAD 2.6	UAD 3.6
1-unit rent estimate	Form 1007 commonly accompanies the appraisal when market rent is needed.	Market rent is reported in the URAR Rental Information section / Rental Comparison Grid.
ADU rent estimate	Form 1007 can be used with the legacy appraisal and should clearly identify that the rent applies to the ADU.	Form 1007 is not used in the normal workflow; ADU market rent is developed in the URAR.
Rare exception	N/A	If the need for rent arises after appraisal completion and the original appraiser is unavailable, Fannie permits a narrow exception for another appraiser to use Form 1007.

LO takeaway

Do not assume “order a 1007” will remain the universal answer after the UAD 3.6 mandate. Your appraisal order, AMC instructions, and underwriting checklist need to match the UAD version being used.

Primary source: Fannie Mae Appraiser Update - March 2026

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3. New General Rental-Income Framework

Fannie Mae restructured B3-3.8 and added several new policy standards that become mandatory for applications on/after Nov. 1, 2026.

Property-management experience now drives treatment

- At least 12 months of property-management experience is generally required to use positive rental income as additional qualifying income.
- With no experience or less than 12 months, qualifying rental income is generally limited to offsetting the related PITIA.
- Fannie provides specific tax-return / lease documentation methods for establishing the 12-month history.

Stronger lease standards

- A newly executed lease (dated within two months of application) generally must have a minimum six-month term when the property is not reported on the borrower's tax return.
- The initial rental payment must be due on or before the first payment due date of the subject mortgage.
- For properties not reported on the tax return, the lease cannot be with an interested party or family member.
- The lender must validate that the lease has gone into effect - typically through two months of rent payments, or permitted alternatives such as security deposit + first month rent with proof of deposit, or qualifying property-management documentation.

> **Do not miss this**
>
> Fannie specifically prohibits using a lease to determine qualifying rental income for a departing residence and for an investment property purchased within 45 days of the subject property.

Primary source: Selling Guide B3-3.8-01 - General Rental Income Information

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4. The Lease Is No Longer the Qualifying Shortcut

One of the most important changes for move-up buyers: market-supported rent replaces the old “sign a lease and use 75%” mentality.

DOCUMENT RENT	CALCULATE	USE OF POSITIVE
Use a complete appraisal with market rents, Form 1007 where applicable, or market-analysis tools such as MLS / Zillow / Redfin with at least 3 comparable rentals.	Gross monthly market rent x 75%, then subtract the departing residence PITIA.	If the result is positive, it may offset the departing residence PITIA only. A negative result is included in DTI.

Lease rule

Lease agreements are not permitted for any departing residence under the new framework.

Reserve requirement

- If the borrower has less than 12 months of property-management experience, verify six months of reserves to cover the departing residence PITIA.
- That six-month requirement is in addition to other applicable reserve requirements, including multiple-financed-property requirements.

Example

Borrower leaves a home with $3,000 PITIA. Market-supported rent is $3,600. 75% = $2,700. $2,700 - $3,000 = -$300. The $300 loss is counted in DTI. A signed $4,000 lease does not override the departing-residence framework.

Primary source: Selling Guide B3-3.8-05 - Departing Residence

5. 45-Day Rentals + Short-Term Rental Income

Two new scenario-specific rules can materially change qualification if the file is structured late.

Investment property purchased within 45 days of the subject property

- Lease agreements are not permitted to determine qualifying income.
- Market rent can be documented through the permitted appraisal / rent-schedule method; for multi-unit properties, market-analysis tools may be used with at least three rental comparables.
- Calculate gross rent x 75%, subtract PITIA, and if positive use it to offset PITIA only.

Short-term rental (Airbnb / VRBO-style) income

- Eligible for one-unit investment properties only.
- The property must be legally permitted to operate as a short-term rental.
- Short-term rental income cannot be derived from an ADU.
- On a purchase, the lender may use standard long-term market rent via the permitted rent schedule method OR validated STR data from MLS / property-management sources with three comparable short-term rentals, rental rates, and days rented.
- For the market-rent method, Fannie applies a 50% factor before subtracting PITIA. The other 50% is intended to account for vacancy and operating / maintenance costs.
- If the resulting ANRI is positive in the specified purchase / limited-history scenarios, it may offset PITIA only.

> **Structure early**
>
> A property that "cash flows great on Airbnb" may qualify very differently from an investor's spreadsheet. Legal STR eligibility, comparable rental data, management experience, Schedule E history, and the 50% factor can all matter.

Primary source: Selling Guide B3-3.8-03 - Short-Term Rental

Primary source: Selling Guide B3-3.8-06 - Investment Properties Purchased within 45 Days

6. Limited Review Is Retired

The condo review decision tree changed materially in 2026.

The new mindset

For applications dated on/after Aug. 3, 2026, established condo projects that would previously have used Limited Review must now generally use Full Review or, when eligible, Waiver of Project Review.

Major condo project-review changes

- Waiver of Project Review expanded to eligible new and established projects with 10 units or fewer.
- For projects with 5-10 units, the project cannot be part of a master association or larger development to use this expanded waiver path.
- The project still cannot have an Unavailable status in Condo Project Manager (CPM), must satisfy applicable insurance rules, and must meet other waiver requirements.
- Fannie retired the 50% investment-property concentration limit for established projects reviewed under Full Review on investor loans.
- The separate presale requirement for new / newly converted projects remains applicable; removal of the investor-concentration limit does not eliminate all project-eligibility tests.

Realtor takeaway

A condo that was “easy Limited Review” last year may require a different project-review path now. Get the project name, address, HOA / management contact, insurance, budget, and project status in front of the lender early.

Primary source: Fannie Mae LL-2026-03 - Project Standards

7. Reserves + Insurance Are Becoming Bigger Deal Drivers

Fannie is simultaneously tightening condo financial-health standards and clarifying several insurance requirements.

Enhanced reserve-study requirement

- When a lender relies on a reserve study as the alternative method to demonstrate sufficient reserves, the project budget must include the highest recommended reserve allocation amount identified in the reserve study.
- The baseline funding method - which can allow reserves to approach zero - is no longer permitted for this purpose.
- These requirements became mandatory for applications on/after Aug. 3, 2026.

15% reserve allocation starts Jan. 4, 2027

10% -> 15%

For Full Review, Fannie is increasing the minimum replacement-reserve allocation for capital expenditures and deferred maintenance from 10% to 15% of annual budgeted assessment income for applications dated on/after Jan. 4, 2027.

Insurance changes worth knowing

- Fannie retired the requirement that roofs be insured on a replacement-cost basis. Roofs still must be insured, but the roof component may use a different loss-settlement basis.
- For project master policies, the coverage amount must still equal at least 100% of estimated replacement cost value of project improvements, including common elements and residential structures, with several acceptable documentation methods.
- Fannie retired the project-development inflation-guard coverage requirement.
- The maximum allowable per-unit deductible for required property-insurance perils covered by a master policy is $50,000 per unit.

Do not oversimplify

“Insurance got easier” is not the right takeaway. Specific documentation mechanics were relaxed, but sufficient coverage, project eligibility, critical repairs, deductibles, and master-policy requirements remain underwriting issues.

Primary source: Fannie Mae LL-2026-03 - Project Standards & Property Insurance

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8. ADUs Expanded Under UAD 3.6

Fannie's UAD 3.6 policy opens up more flexible property configurations - but the appraisal version and occupancy still matter.

How many ADUs can be eligible under the UAD 3.6 policy?

PRIMARY DWELLING	ADU ALLOWANCE
1-unit principal residence (including qualifying multi-section MH / MH Advantage)	**Up to 3 ADUs**
2-unit principal residence	**Up to 2 ADUs**
3-unit principal residence	**Up to 1 ADU**
4-unit dwelling	**No ADUs**
1-unit principal residence, single-section standard manufactured home	**1 ADU**

Using ADU rental income to qualify

- Limited to a one-unit principal residence on purchase or limited cash-out refinance transactions.
- Rental income may be derived from only one ADU even if multiple ADUs exist.
- The ADU rental income used for qualifying may not exceed 30% of the borrower's total qualifying income.
- Short-term rental income cannot be derived from an ADU under the new STR policy.

Opportunity

This can expand financing options for multigenerational homes, basement apartments, detached cottages, and "house-hacking" style primary-residence strategies - provided the property and appraisal meet the actual UAD 3.6 requirements.

Primary source: Fannie Mae UAD 3.6 Policy Supplement - ADUs ˀPRAISAL

9. Manufactured Housing + Highest & Best Use

Two less-discussed changes can create opportunities on properties that previously needed more explanation or did not fit old conventions.

Manufactured housing expansion with UAD 3.6

- Fannie expanded UAD 3.6 eligibility to include certain 2-4 unit manufactured housing properties.
- Multi-story manufactured housing is also supported under the updated policy framework.
- Appraisers must continue validating key manufactured-home characteristics, labels, data plates, and other required property details.

Highest and best use - UAD 3.6

- For UAD 3.6 appraisal assignments, Fannie now requires highest and best use to be a residential use rather than requiring it to be the property’s present use.
- The property must be primarily residential (one to four units), and any non-residential use must be subordinate to the residential use.
- Fannie established reporting criteria for cases where present use does not satisfy one or more highest-and-best-use tests.

> **Why this matters**
>
> This is not a blanket approval for mixed-use or unusual properties. It does, however, give appraisers and lenders a more explicit framework for primarily residential properties with subordinate non-residential characteristics or a present-use / highest-and-best-use distinction.

Primary source: Fannie Mae Announcement SEL-2026-08 - Highest & Best Use

Primary source: Fannie Mae Appraiser Update - Manufactured Housing

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Old Mental Model -> New 2026 Mental Model

Use this page as the sales-huddle / desk-side cheat sheet.

OLD MENTAL MODEL	NEW 2026 MENTAL MODEL
“Get a signed lease for the departing home.”	**Departing-residence qualifying relies on market-supported rents; leases are not permitted.**
“Positive rent can always boost income.”	**Property-management experience determines whether positive rent may be added or only offset PITIA.**
“Airbnb income gets the normal 75% factor.”	**The new STR framework may use a 50% factor before PITIA in specified scenarios.**
“Order a 1007 whenever rent is needed.”	**Under UAD 3.6, rent is generally developed inside the URAR Rental Information / Rental Comparison Grid.**
“Condo Limited Review is still the easy path.”	**Limited Review is retired for applications on/after Aug. 3, 2026.**
“Condo reserves are a 10% question.”	**Full Review minimum reserve allocation increases to 15% for applications on/after Jan. 4, 2027.**
“Too many investor-owned units automatically kills the condo.”	**Fannie retired the 50% investor concentration limit for established Full Review projects on investor loans, though other project tests still apply.**
“One ADU is the limit.”	**UAD 3.6 permits multiple ADUs in certain eligible primary-residence configurations.**

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10. Loan-Officer Preflight Checklist

Before the file is deep in underwriting, ask these questions.

1	Is the appraisal being completed under UAD 2.6 or UAD 3.6?
2	Will the appraisal be initially submitted to UCDP before or after Nov. 2, 2026?
3	Is rental income from the subject property, a non-subject investment, a departing residence, an ADU, or a short-term rental?
4	Does the borrower have at least 12 months of documented property-management experience?
5	If relying on a lease, is a lease actually permitted for this scenario?
6	If the lease is new, does it meet the six-month term / first-payment / validation rules?
7	If the old primary residence is becoming a rental, have we documented market-supported rent and the reserve requirement?
8	Was a non-subject investment property purchased within 45 days of the new subject property?
9	For STR income, is the property legally permitted to operate as a short-term rental and do we have the right comparable data?
10	For a condo, is the correct project review path Full Review or Waiver of Project Review?
11	What is the condo's CPM status, reserve position, insurance coverage, deductible, and critical-repair status?
12	If the property has ADUs or unusual mixed-use characteristics, are we working within the UAD 3.6 eligibility / appraisal framework?

ARTNERSHIP

How to Explain These Changes to a Realtor

The value is not memorizing guidelines. The value is knowing when a transaction needs a different plan before it becomes a problem.

Simple positioning

“Fannie Mae made several meaningful changes in 2026 around rental income, appraisals, and condos. Some changes create opportunity, while others require earlier documentation. My job is to identify those issues before you write the offer or before the buyer commits to a condo that may not finance the way they expect.”

Three conversations worth having now

Move-up buyers

If the buyer plans to rent the departing home, do not build the pre-approval around a future lease. Get market rent support and reserve planning early.

Condo buyers

Identify the project and start project-review / insurance / reserve diligence before the buyer is emotionally committed.

Investor + house-hack buyers

Clarify whether the strategy is long-term rent, short-term rent, ADU income, or multi-unit rental income. Each path can have different documentation and qualifying treatment.

Got Mortgages University principle

Education creates leverage when it changes behavior. Use these changes to create better pre-approvals, cleaner contracts, fewer surprises, and stronger partner conversations.

CLAIMER

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This guide was prepared from Fannie Mae materials available as of Sept. 8, 2026.

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Questions / training

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