CALIFORNIA CONDO RED-FLAG CHECKLIST

Pre-listing & buyer due-diligence guide for Realtors

WHY THIS MATTERS: A condo may be attractive as an individual unit but lose marketability when the HOA has structural repairs, weak reserves, major assessments, insurance deficiencies or lender project-eligibility problems. These project-level risks can shrink the financing and buyer pool.

1 | SB 326 / CIVIL CODE §5551 - ELEVATED ELEMENT INSPECTIONS

- **Threshold:** condominium buildings with **3+ attached multifamily dwelling units**, when the HOA is responsible for qualifying exterior elevated elements.
- **Covered elements:** load-bearing balconies, decks, stairs, walkways/railings generally **more than 6 feet above ground**, extending beyond exterior walls and substantially wood-supported.
- **Inspection:** licensed structural/civil engineer or architect; statistically significant sample; condition, waterproofing, remaining useful life, safety threats and recommended repairs are reported.
- **Timing:** at least **every 9 years**. Original deadline was Jan. 1, 2025; newer buildings have timing tied to certificate of occupancy.
- **Immediate danger:** requires prompt reporting and preventive action; access may need to be restricted until repairs are approved.
- **2026 resale impact:** the most recent §5551 report is among the association documents identified for delivery in a condo resale package under Civil Code §4525.

2 | HOA FINANCIAL & MAINTENANCE RED FLAGS

- **Reserve study:** obtain the current study; flag major components nearing end of life and large projected funding shortfalls.
- **Assessments:** current, approved, proposed or discussed — amount, purpose, payment schedule and seller/buyer responsibility.
- **Deferred maintenance:** roofs, balconies, waterproofing, plumbing, electrical, elevators, parking structures and building envelope.
- **SB 326 repairs:** are recommendations complete and funded, or are bids, permits, contracts or repairs still pending?
- **HOA debt & delinquencies:** review association loans and owner delinquencies; both can increase future assessment pressure.

TEAM GOEGLEIN | Fidelity National Title
Matt Goeglein • 310-293-0784 • Mgoeglein@gmail.com | Xavier de la Piedra • 562-217-9933 • Xavierdlp4@gmail.com

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Financing, project review & document checklist

3 | FINANCING / FANNIE MAE PROJECT RED FLAGS

- **Critical repairs:** projects needing critical repairs can be ineligible for Fannie Mae financing until conditions are resolved.
- **Budget/reserves:** current Fannie Mae Full Review standards generally look for replacement-reserve funding of at least **10% of annual assessment income**, subject to applicable alternatives/requirements.
- **Delinquencies:** Full Review standards generally limit units 60+ days delinquent on common expenses or each special assessment to **15%**.
- **Insurance:** confirm the HOA master policy meets lender requirements; inadequate coverage can stop financing.
- **Litigation / project status:** construction-defect or safety disputes need lender review. Ask whether the project has an adverse or **Unavailable** status in Fannie Mae's Condo Project Manager (CPM).
- **Best practice:** have the buyer's lender review project eligibility early — before financing contingencies become a crisis.

4 | DOCUMENTS TO REQUEST EARLY

- Most recent SB 326 / §5551 inspection report, if applicable
- Current reserve study and annual reserve disclosure
- Current operating budget and financial statements
- At least 12 months of HOA board meeting minutes
- Current, approved or proposed special-assessment notices
- Master insurance declaration / evidence of coverage
- Pending litigation and insurance-claim disclosures
- Major repair bids, contracts and engineering reports
- HOA loan / debt information
- CC&Rs;, bylaws, rules and resale disclosure package

REALTOR TAKEAWAY: Do not wait until escrow to discover a project-level problem. For an older attached condo, obtain the HOA package early and get lender project review started quickly. Large assessments, unresolved structural repairs, weak reserves or insurance deficiencies can affect financing, buyer demand and resale value.

Sources / current through Aug. 2026: California Civil Code §§5551 and 4525; Fannie Mae Selling Guide B4-2.1 and B4-2.2. Verify current law, HOA documents and lender overlays for each transaction.

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