



ASSOCIATION  
RESERVES™

# Fundamentals of Reserves

Course #9630246 (Distance/Online)  
9626392 (Classroom)

Approved for 1 Hour of Continuing Education Credit by the  
State of Florida Department of Business and Professional  
Regulation for licensed Community Association Managers.

Subject Area: IFM/ELE



# Association Reserves

100,000+ Completed  
Reserve Studies since 1986

Regional offices  
nationwide

Pioneers of many industry-  
wide principles



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# Our Florida Team

Statewide Presence (21 Staff in All)

Thousands of Association Clients

Engineering, Architecture, Construction  
Management, Business and Accounting

13-Time FLCAJ Readers Choice Award  
Winner





# Outline

*What are Reserves?*

*Reserve Study Basics*

*SIRS Requirements*

*Recent Lending Standards Changes*

*Q&A/Discussion*

An aerial view of a city skyline, likely New York City, with a prominent green overlay. The buildings are rendered in a lighter shade of green, creating a monochromatic effect. The text is centered in a white box.

# WHAT ARE RESERVES?



# The Budget

## Operating Funds

- “Routine” costs
- Unrestricted use
- Expected to be spent in the year collected
- Typical uses: utilities, insurance, management fees, routine maintenance

## Reserve Funds

- Infrequent costs
- Restricted use
- Funds accumulate until need arises
- Typical uses: roofing, painting, pavement, HVAC, elevators, etc.

“In addition to annual operating expenses, the budget shall include reserve accounts for capital expenditures and deferred maintenance. **These accounts shall include, but are not limited to, roof replacement, building painting, and pavement resurfacing,** regardless of the amount of deferred maintenance expense or replacement cost, **and for any other item** for which the deferred maintenance expense or replacement **cost exceeds ~~\$10,000~~ 25,000.”**

- Florida Statutes 718.112 (Condominiums)

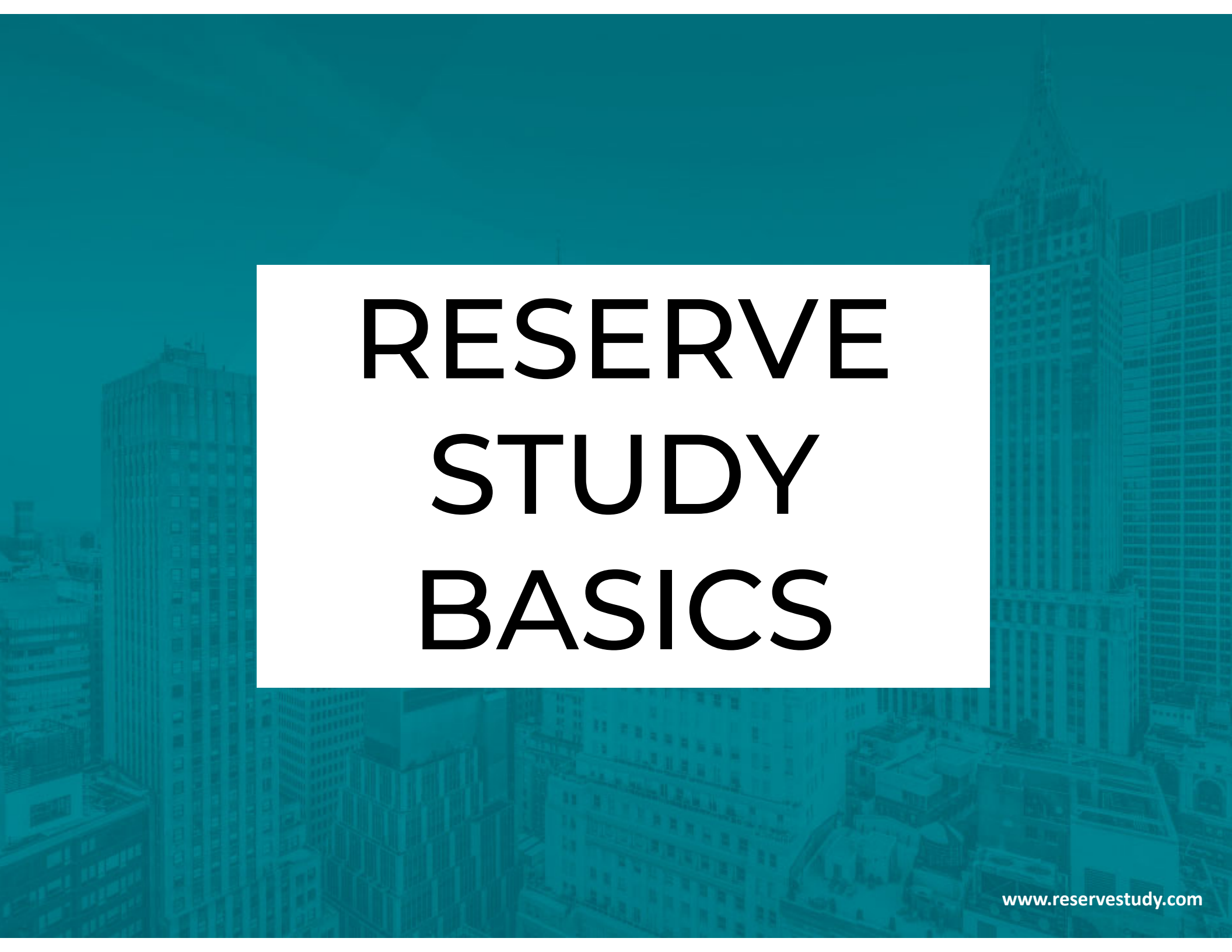
“...the association is responsible for the repair and maintenance of capital improvements **that may result in a special assessment** if reserves are not provided...”

-- Florida Statutes 720.303 (HOAs)

# Practical Definition

“Money that an association saves over long periods of time for large repair and replacement projects.”



The background of the slide is a teal-tinted aerial view of a city with numerous skyscrapers. A large white rectangular box is centered on the page, containing the title text.

# RESERVE STUDY BASICS

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*Planning For The Inevitable™*

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Washington

### "Full" Reserve Study



Sample Reserve Study  
HOA/POA  
Anywhere, FL

Report #: 35269-0  
For Period Beginning: January 1, 2020  
Expires: December 31, 2020

Date Prepared: January 24, 2019



“A budget planning tool which identifies the current status of the Reserve fund and provides a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.”

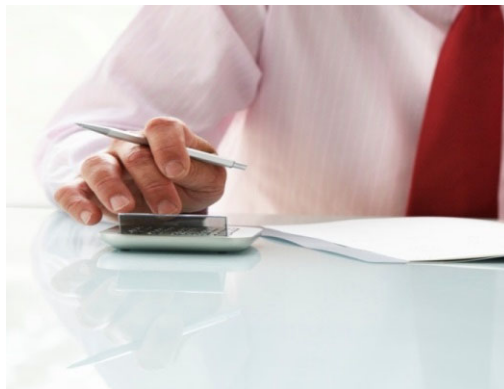
-National Reserve Study Standards (NRSS), Est. 1998

# Two Parts

*Physical  
Analysis*



*Financial  
Analysis*





# Three Outcomes

What do you  
have?

Where do you  
stand,  
financially?

Where do you  
go from here?



# Outcome #1

## *Component List*

Listing of life and cost estimates

Framework constant, but data changes

Defined by National Reserve Study Standards



# Outcome #2

*Percent Funded*

“Snapshot in time” of financial strength

Measures likelihood of financial problems

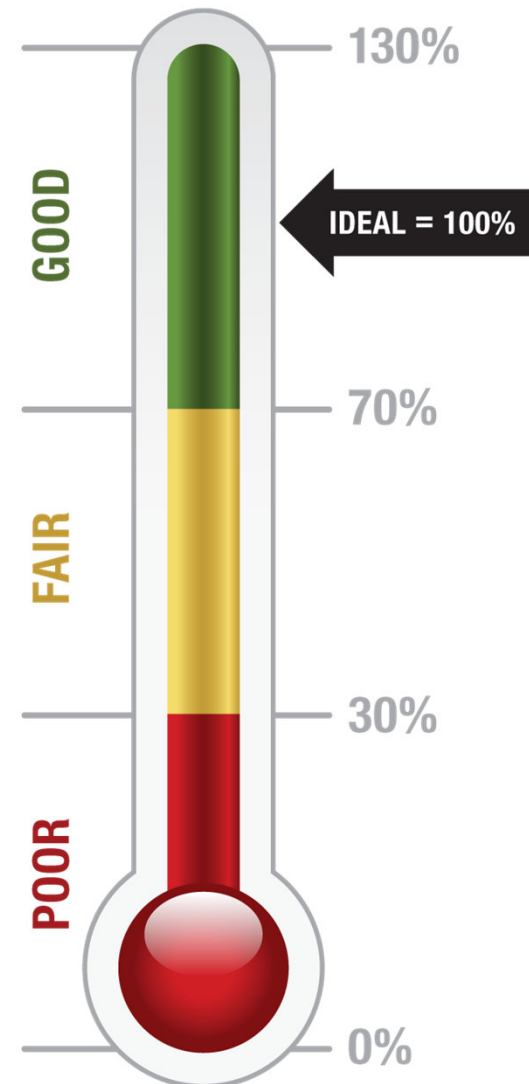
Will fluctuate over time



# Percent Funded

Can be thought of as similar to a credit score, since it measures risk.

Quick, snapshot assessment of an association's long-term financial health





# How is it Calculated?

How much money you have

÷

How much money you SHOULD have

=

Percent Funded



# How much you SHOULD have...

Also known  
as the “Fully  
Funded  
Balance”



If I tell you my association has  
\$50,000 in Reserves, does that  
*really* tell you anything?



# Outcome #3

## *Funding Plan*

Review of current budgeted contribution to Reserves

Should match the frequency of regular assessments

May include special assessment recommendations



# Key Principles

Sufficient  
cash available  
(never below  
\$0)

Distributed  
among all  
components

Stable  
contribution  
rate

Fiscally  
responsible



# SIRS Requirements



# What is a SIRS?

“At a minimum, a structural integrity reserve study must identify each item of the condominium property being visually inspected, state the estimated remaining useful life and the estimated replacement cost or deferred maintenance expense of each item of the condominium property being visually inspected, and provide a reserve funding schedule with a recommended annual reserve amount that achieves the estimated replacement cost or deferred maintenance expense of each item of condominium property being visually inspected by the end of the estimated remaining useful life of the item.”



# What is included?

- a. Roof.
- b. Structure, including load-bearing walls and other primary structural members and primary structural systems as those terms are defined in s. 627.706.
- c. Fireproofing and fire protection systems.
- d. Plumbing.
- e. Electrical systems.
- f. Waterproofing and exterior painting.
- g. Windows and exterior doors.
- h. Any other item that has a deferred maintenance expense or replacement cost that exceeds ~~\$10,000~~ **\$25,000** and the failure to replace or maintain such item negatively affects the items listed in sub-subparagraphs a.-g., as determined by the visual inspection portion of the structural integrity reserve study.



# Deadline Passed!



Source: CS/CS/HB 913, Engrossed 1. Page 97, Lines 2410-2414



# Who can do the SIRS?

- ~~“Any person qualified”~~
- “A SIRS, including the visual inspection of the SIRS, must be performed or verified by:
  - FL-licensed engineer
  - FL-licensed architect
  - Reserve Specialist (RS)
  - Professional Reserve Analyst (PRA)



# Transparency/Conflicts of Interest

**Disclosure of Intent to Bid:** Any design professional or contractor licensed under chapter 489 who bids to perform a SIRS must disclose in writing to the association their intent to bid on services related to maintenance, repair, or replacement recommended by the SIRS.

Design professionals or contractors submitting bids for services recommended by the SIRS may not have a direct or indirect interest in the firm conducting the SIRS or be related to anyone with such an interest unless the relationship is disclosed in writing.





# Financial Flexibility

Loans, lines of credit, and special assessments may be used to fund for SIRS components

Funding must be *immediately available* to the Board without further approval by the members





# Pausing of Reserves

“For a budget adopted on or before December 31, 2028, if the association has completed a milestone inspection...within the previous 2 calendar years, the board, upon approval of a majority of the total voting interests of the association, may temporarily pause, for a period of no more than two consecutive annual budgets, reserve funding contributions or reduce the amount of funding for the purpose of funding repairs recommended by the milestone inspection....

...An association that has paused reserve contributions under this subparagraph must have a SIRS performed before the continuation of reserve contributions in order to determine the association’s reserve funding needs and to recommend a reserve funding plan.”



# Investment of Reserves



“A board shall...use best efforts to make prudent investment decisions that carefully consider risk and return in an effort to maximize returns on invested funds.”

“An Association...may invest reserve funds in one or any combination of certificates of deposit or in depository accounts at a community bank, savings bank, commercial bank, savings and loan association, or credit union without a vote of the owners.”



# When are Updates Required?

At least once every 10 years (if adopting SIRS funding plan)

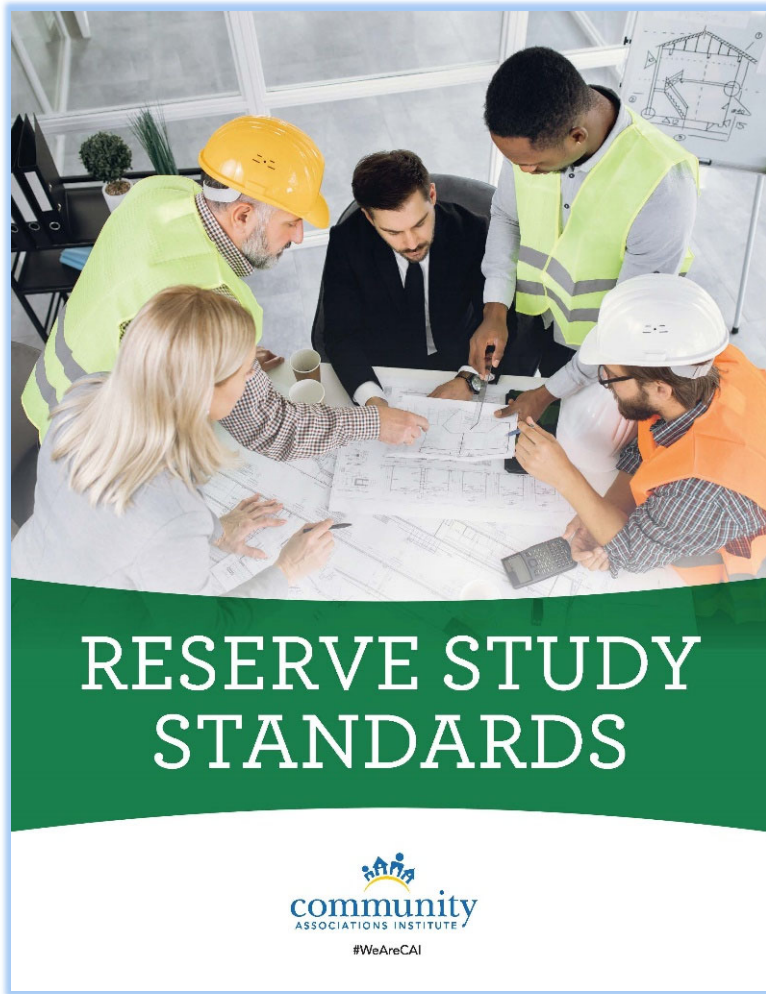
If the SIRS is performed before the association has approved alternate funding (loans, LOC, special assessments)

Before ***any budget*** in which the funding does not align with the *most recent* SIRS





# Baseline Funding Codified



“At a minimum, the SIRS must include a recommendation for a reserve funding schedule based on a baseline funding plan that provides a reserve funding goal in which the reserve funding for each budget year is sufficient to maintain the reserve cash balance above zero.”



# Reporting Requirements



Within 45 days of Completion:

1. Distribute a copy (or make available) to all unit owners (by mail/personal delivery, email, or fax, if consented)
2. Report to the DBPR (online database available)
3. Officer or director must sign an affidavit acknowledging receipt

Source: CS/CS/HB 913, Engrossed 1. Pages 98-99, Lines 2435-2463



# Expanded Enforcement

“If the officers or directors of an association willfully and knowingly fail to complete a structural integrity reserve study pursuant to this paragraph, such failure is a breach of an officer’s or a director’s fiduciary relationship to the unit owners under s. 718.111(1).

AND

“The division may impose a civil penalty individually against an officer or board member who willfully and knowingly violates this chapter, an adopted rule, or a final order of the division; may order the removal of such individual as an officer or from the board of administration or as an officer of the association; and may prohibit such individual from serving as an officer or on the board of a community association for a period of time....a penalty may be imposed on the basis of each day of continuing violation, but the penalty for any offense may not exceed **\$5,000.**”

Sources: CS/CS/HB 913, Engrossed 1. Page 98, Lines 2435-2439

CS/CS/HB 913, Engrossed 1. Page 118-119, Lines 2938-2960



# Fannie & Freddie - Changes

- In accordance with *Selling Guide* requirements, at minimum, 15% of the “annual budgeted income assessment” must go to reserves
- No distinction between SIRS/Structural and Other Reserves
- Compliance required for loan applications dated on or after January 4, 2027
- Exception: Lenders may obtain a reserve study to support an amount lower than 15%, under certain circumstances:
  - Reserve Study must be less than 3 years old from date on which lender approves the project
  - Funding amount must use the highest recommended reserve amount in the study, and cannot be determined using “baseline funding” objective.

Source: Fannie Mae Lender Letter (LL-2026-03), published March 18, 2026



# GSEs vs Florida Requirements



Florida condos and co-ops subject to the requirements for SIRS must fund those reserves in accordance with the most recent study



If SIRS reserves are less than 15% of the total assessment, it may be possible to comply with Florida legislation, but NOT with Fannie/Freddie guidelines



Comprehensive analysis of ALL reserve components (SIRS and other) is important!



# Why Does This Matter?

Per 2023 data from the National Association of Realtors, Fannie and Freddie support approximately 70% of all mortgages

Associations may only be able to attract all-cash or other highly qualified buyers

Fewer buyers = downward pressure on sale prices



# The “Blacklist”



Fannie Mae maintains an internal database called “Condo Project Manager” (CPM)



Lenders use CPM to determine whether a condo association meets eligibility standards and can therefore receive conforming loans



If an association is listed as “unavailable,” “ineligible” or “review required,” many lenders will not finance.



Possible determining factors include structural issues/critical repairs needed, inadequate reserves, inadequate insurance, ongoing litigation, investor concentrations, etc.



# Thank you!

*Questions?*



Need more help? Send an email  
to **[wsimons@reservestudy.com](mailto:wsimons@reservestudy.com)**