



# New Jersey Condo and Co-op Mandatory Reserve Study Legislation

A Complete Guide and Tutorial for  
Property Managers, Board Members and Attorneys

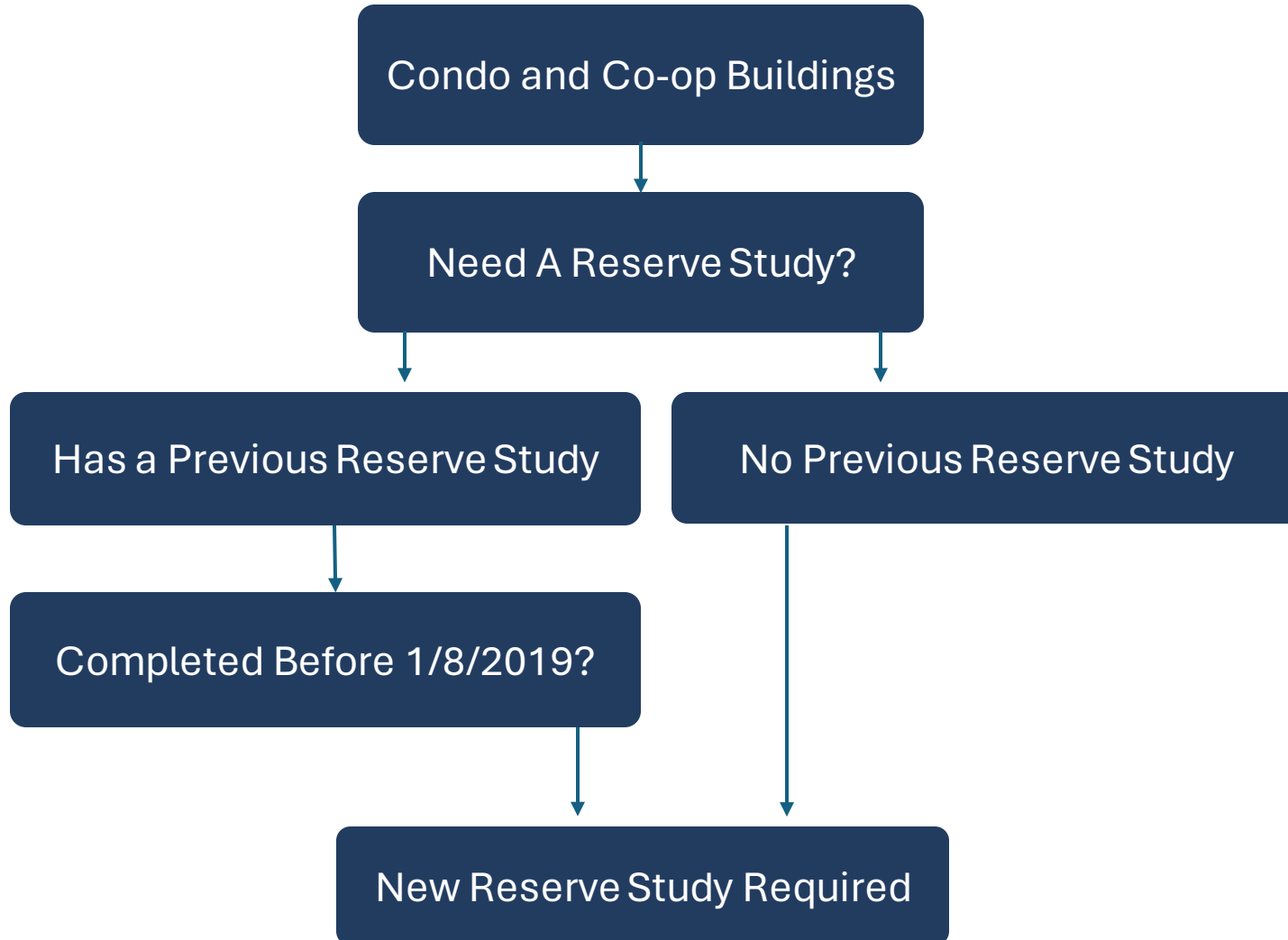
Presented by **Orest Tomaselli, CEO, Strategic Inspections**

# New Jersey New Legislation



- Introduced in June 2022
- Required Compliance for Condo and Co-op Properties
- Resulted From Tragic Collapse of Champlain Tower Condo
- Reserve Study Requirement
- Structural Inspection Requirement
- Specific Property Targets Based on Construction Type and Age
- January 8th, 2025 Deadline

# Requirement Deadlines and Timing



If a reserve study is less than 5 years old, it needs to be updated at least every five (5) years.  
(This effectively grandfathers reserve studies completed after 1/8/2019)

As of 1/8/24, if a reserve study is **MORE THAN 5 (five) years old OR** the building has no reserve study, the association has until 1/8/25 to complete one.

Associations formed **AFTER** January 8, 2024, have two years after the election of a majority of the executive board to perform a reserve study.

# Budget Compliance and Reserve Funding



The new law creates a funding requirement based upon the reserve study funding prescription.

- If the reserve line-item prescription for the operating budget is more than a 10% increase to the previous years common expense assessment, the association has 5 years to make up the deficiency.
- If the reserve line-item prescription for the operating budget is less than a 10% increase to the previous years common expense assessment, the association has 2 years to make up the deficiency.

- » The funding plan outline above is likely going to run afoul of the current Fannie Mae and Freddie Mac reserve funding, critical repair, special assessment and structural repair requirements. Properties with outlined critical repairs that are not completed, unfunded special assessments and/or a reserve funding plan that does not align with a reserve study are likely to be deemed “unavailable for lending” and residential mortgage financing will be unavailable for purchasers or owners through both Fannie Mae and Freddie Mac.
- » Aligning the Reserve Study with residential and commercial mortgage lending requirements is critical to ensure property wide mortgage availability and liquidity.



# Fannie Mae/Freddie Mac/FHA Mortgage Lending



2022, 2023 and 2024  
Changes to Lending  
Guidelines for Condo and  
Co-op



Mechanical, Structural and  
Financial Condition Analysis



Capital Needs  
Assessment



Strategic Inspection's Lender  
Property Analysis



Critical Repair Completion

Conforming, Jumbo and Portfolio Mortgage Financing for Purchasers or Owners Impacted by New Jersey Law

# Structural Inspections



- The new legislation requires that structural inspections be performed on designated condo and co-op buildings .
- The new law mandates a timeline by which a condo or co-op property must obtain a structural inspection, and subsequently, when that inspection must be updated, pursuant to the findings of that structural inspection.
- Most typical condo and co-op properties will be required to obtain a structural inspection.

If a building is more than 15 years old (CO Prior to 1/18/2009), the association must obtain an initial baseline structural evaluation within 2-years of January 8th, 2026

If a building is less than 15 years old (CO after 1/8/2009) a structural evaluation must be obtained before the 16 year mark

If the structural evaluation yields a determination with structural concerns, the association must make necessary repairs within a deadline imposed by the structural engineer.

If building is less than 20 years old a follow up inspection is required **EVERY 10 YEARS**

If building is more than 20 years old a follow up inspection is required **EVERY 5 YEARS**

If damage is found to a buildings structural system by an engineer, a follow up inspection is required **IN 60 DAYS**

# The Strategic Inspections Reserve Study Report



- Strategic Inspections is one of the most respected and trusted Reserve Study firms in the nation. Our tech enabled reporting, board education, vast experience and attention to creating compliant reports for utilization to comply with both State compliance requirements is unparalleled.
- The engineering team at Strategic Inspections has inspected and provided reserve study reports on more than 4500 condo and co-op properties
- Our custom Reserve Study reports include our uniquely crafted Lender Property Analysis to ensure residential mortgage compliance with Fannie Mae, Freddie Mac and FHA mortgage requirements.
- A recent customer survey of property managers reported that Strategic Inspections was 1st in value, communication and compliance!

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## Articles and Links

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Brick Underground, February 2024, “New Jersey Building Inspection Law Mandates Reserve Study. Could New York Be Next?”

<https://www.brickunderground.com/improve/new-jersey-building-inspection-law-mandates-reserve-study-could-new-york-be-next>

Fannie Mae Lender Letter

Final Condo and Co-op Guidelines:

<https://singlefamily.fanniemae.com/media/36376/display>

Freddie Mac Bulletin

Condo and Co-op Guidelines:

<https://guide.freddiemac.com/app/guide/bulletin/2023-15>

NJ Reserve Study Law

[https://pub.njleg.gov/Bills/2022/S3000/2760\\_R2.HTM](https://pub.njleg.gov/Bills/2022/S3000/2760_R2.HTM)

## Strategic Inspections

Reserve Study Reports

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Strategic Blog



<https://www.strategicinspections.com/blog/>





# Articles

**Brick Underground, February 2024, “New Jersey Building Inspection Law Mandates Reserve Study. Could New York Be Next?”**

<https://www.brickunderground.com/improve/new-jersey-building-inspection-law-mandates-reserve-study-could-new-york-be-next>

**Brick Underground, May 2023, “How Often Does Our Board Need To Do A Reserve Study For our Building?”**

<https://www.brickunderground.com/buy/ask-an-expert-how-often-board-reserve-study-capital-plan-building-co-op-condo-nyc>

**Habitat Magazine, October 2023 “Luxury Condo Feels The Sting Of Fannie Mae’s New Guidelines”**

<https://www.habitatmag.com/Publication-Content/Bricks-Bucks/2023/2023-October/Luxury-Condo-Feels-the-Sting-of-Fannie-Mae-s-New-Guidelines>

**Habitat Magazine, July 2022 “Build Reserves For Future Compliance With Local Law 97”**

<https://www.habitatmag.com/Publication-Content/Green-Ideas/2022/2022-July/Podcast-Build-Reserves-Now-for-Future-Compliance-With-Local-Law-97>

**Senate Number 2760, New Jersey 220th Legislature**

[https://pub.njleg.gov/Bills/2022/S3000/2760\\_R2.HTM](https://pub.njleg.gov/Bills/2022/S3000/2760_R2.HTM)



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