



The Special Assessment March 2026 Edition



Use of Artificial Intelligence in the Community Association Context: Know When to Use A.I. in Conducting your Fiduciary Duties, and When to Leave it to the Experts

By: Brad M. Barna, Esq. and Anna Mancino, Esq.

Artificial intelligence (“A.I.”), as the recent dramatic increase in its everyday use has shown, can be extraordinarily helpful in many day-to-day tasks if used properly. Models like Chatgpt, Claude, and Gemini do many things, such as, preparing draft communications to the community on difficult topics (like special assessments and rule reminders). A.I. is, at first glance, a very efficient tool to help directors in the governance of their associations. Usually inexpensive or even free, a board can be tempted to use A.I. to carry out tasks typically delegated to a third-party (the managing agent, Association counsel, or another hired expert) and potentially limit those costs. But using A.I. does come with a cost, and the price may be much steeper than those originally avoided by the initial use of A.I.

On the surface, A.I. can create documents that appear to be tailored to an association’s governing documents and which incorporate the applicable common interest community law, but upon closer inspection, A.I. typically fails to account for many necessary considerations and creates something that either exceeds the actual authority of the association and is, therefore, unenforceable, or which fails to capture nuances that allow a given association to take action for which other associations may not have the authority. If a board decides to use A.I. in the course of business, it may find that consulting its human experts on the A.I.’s work reveals significant shortcomings, and it may end up costing the association more money in the long run to have professionals review and correct the A.I.’s work than it would if the board had consulted with its experts initially and had them do the work.

Although many A.I. products have seemingly “unlimited access” to information, those products may not have the capacity to discern when certain information is applicable. For example, in order to draft a policy resolution, the board must have the authority to adopt rules and regulations pertaining to the topic of the policy. Some topics may be regulated by statute and therefore may limit rules on such topics, or may provide additional authority not found in the

governing documents. In addition, case law may provide the board with additional or restricted authority as to a given topic. A.I. is only as good as the information that it can access and while the information available to A.I. seems unlimited and is ever-expanding, it typically does not have all of the information that is relevant to an association's inquiry. Even if A.I. may be able to find these nuanced sources, again it may not be able to incorporate them into a policy appropriately. In the end, a board may draft a policy using A.I. that exceeds its authority or which omits key authorities that the board may otherwise have (and therefore unnecessarily limits their authority). The resulting A.I. work product may be either unenforceable or weak. To avoid these issues, a board may send the draft policy to its legal counsel for review. In our experience, however, this review can end up costing *more* than if the board had authorized counsel to draft the policy initially.

Reviewing A.I.-generated materials can end up costing the association more in the long run because of the steps needed to ensure the contents are accurate. First, the initial policy must be reviewed for both accuracy of content (what the regulations are) and the basis of authority cited for such regulations (why the association can regulate this topic in the proposed manner). To ensure such accuracy, the policy must be reviewed closely against the association's governing documents and applicable law. Often, A.I.-drafted materials are overbroad and make assumptions that do not apply to the association, and therefore must be significantly tailored to reflect the actual authority the association possesses.

Second, the materials often may need to be re-worded to ensure consistency with the association's other documents. For instance, the A.I. work product may incorrectly use words that are different than the defined terms in the association's declaration or bylaws. The A.I.'s formatting may be inconsistent with other documents published by the association and therefore warrant reformatting to ensure consistency and to avoid questions as to a document's authenticity.

Third, A.I.-produced content can often simply be wrong, frequently misstating or misunderstanding nuances of the law or documents, or sometimes hallucinating law or incorporating information from other associations or association types that do not apply. Parsing out the incorrect information, and correcting it, is frequently more time consuming than using a knowledgeable drafter starting from scratch.

In the context of answering questions rather than drafting documents, A.I. is frequently mistaken. Occasionally, board members or managers will ask an A.I. chatbot a question before sending it to our firm, and they ask "is this correct?" and often the answer is "no." Fortunately for those who consult with legal counsel on the A.I. response, we are able to provide them with the correct information before they take action based on that incorrect information provided by A.I.

Finally, the use of A.I. presents potential increased exposure for individual directors that choose to rely on it for information and guidance. A.I. may appear to be an expert in many things, but the law does not provide an exception or insulation from liability to a Board who uses such and gets bad advice. Any director that relies on A.I. in the same manner that the director might rely on professional experts does so at their own risk and peril. Virginia law offers protections for directors who rely on the advice of experts, but does not offer the same protection for directors who rely on the advice of A.I. Moreover, A.I. has no duties to the user or to the association in the same way that professionals do. It also does not have errors & omissions insurance like many professionals are required to carry. In this way, relying on professionals rather than A.I. serves to protect directors from liability and provides additional protections to the association in case that reliance is misplaced. Also keep in mind that when you feed information into many A.I. tools, those A.I. tools retain and use that information for other purposes. In February 2026, a federal judge in New York ruled that by inputting information from the attorney into a public A.I. platform that such action acts as a waiver of attorney-client confidentiality because that A.I. platform is a third party, not legal counsel, and there is no expectation of privacy.

A.I. is a useful tool but due to its limitations, it may not always be an appropriate choice to handle association matters. To ensure the association is acting within its own authority, and publishing documents and taking positions on issues that reflect the same, directors should consider whether the costs that may be incurred due to using A.I. in the long run outweigh the benefits that may result from its immediate use for a quick, easy "answer." Guiding this analysis should be the director's commitment to upholding their fiduciary obligations. At the end of the day, A.I. may seem like the board's best friend, but it can also be the wallet's worst enemy and get boards into more trouble without proper oversight.

Fannie Mae & Freddie Mac Condominium Project Eligibility

Changes to Standards & How it Impacts You

By: Tiago D. Bezerra, Esq.

On March 18, 2026, [Fannie Mae](#) and [Freddie Mac](#) announced updates to its condominium project eligibility standards, some of which are taking effect immediately while others will not be effective until later this year or early 2027. If you manage or lead a condominium (or own a condominium unit) anywhere in the United States of America, these changed standards are likely to have a substantial impact whether units are marketable and eligible for loans backed by Fannie Mae and Freddie Mac.

Wait, let's first answer the question – *What are Fannie Mae and Freddie Mac?* These are government-sponsored entities created by Congress to support the country's housing market, which they do by operating in the secondary mortgage market to purchase existing mortgages from banks and lenders. Purchasing mortgages allows those banks and lenders to have more capital to issue new loans for more borrowers. The critical piece though is that Fannie and Freddie then bundle up the mortgages they purchase and trade them to investors as a government-guaranteed security (similar in some respects to a Treasury note) – investors should receive the benefit of the government's backing of the mortgage securities if borrowers default on the mortgage. The money investors give to Fannie and Freddie are then used by them to go back and purchase more new mortgages – and the cycle continues.

Given that mortgages are inherently risky – the risk being that a borrower is not able to fulfill the terms of their mortgage – Fannie and Freddie have established certain standards that lenders must be able to satisfy in order for a mortgage to be purchased by Fannie and Freddie.. Enter the condominium.

Condominiums are a unique housing model that truly illustrates the importance of community – condominiums succeed and fail based on the unit owners' collective efforts to govern and operate the community. In light of this specific housing market and the risks attendant in a housing model that requires so much cooperation among a group of individual owners, Fannie and Freddie have developed separate standards that much be met in order for a loan involving a condominium unit to be eligible for purchase by Fannie and Freddie. These are the standards which are now changing, specifically associated with their requirements for reserve funding and insurance. *However, keep in mind that these new Fannie and Freddie standards are not mandatory legal requirements being imposed on condominium associations; instead, associations are only obligated to comply with their own governing documents and state law. Even so, we strongly encourage boards to consider the feasibility of meeting these standards as soon as possible given that it can benefit the marketability of units by preserving or increasing the pool of potential buyers. Let's dive in...*

Reserves. In order to be eligible for Fannie and Freddie purchase, lenders will need to verify that the unit is part of a condominium that is operating consistently with certain reserve funding standards. Management agents and homeowner leaders will soon be asked to answer questionnaires and demonstrate that a condominium is reserving for capital components in accordance with the following standards:

- Formally effective August 3, 2026 but can be implemented immediately by lenders – With respect to reserve studies and funding, Associations will need to be able to verify that their budgets reflect the “highest recommended reserve allocation” as specified in the reserve study. *Note, following the **baseline funding method** described in a reserve study will **not** be accepted.*

- Effective January 4, 2027 – Associations must contribute a minimum of **15%** of the annual budgeted assessment to reserves for capital expenditures and deferred maintenance. This is up from the current requirement of 10% funding.

Insurance. Fannie and Freddie are implementing significant changes to master insurance policy requirements in their standards. Moving forward, condominiums will be considered Fannie and Freddie eligible if their master insurance policies show the following:

- Effective Immediately – Associations must have master insurance policies which provide coverage for at least 100% of the *replacement cost value* of the building. Proof that the association has (i) insurance coverage for *roofs at actual replacement cost* and (ii) inflation guard is no longer required.
- Effective July 1, 2026 – Associations may not carry a policy which provides for a per unit deductible that exceeds \$50,000 per unit.
- Effective Immediately – Small condos (4 or fewer units) must have master insurance policies which provide coverage on a *replacement cost basis*, roofs excepted.

*Note, the Fannie Mae and Freddie Mac standards necessitate, for the first time, that lenders require all borrowers (i.e., purchasing unit owners) to obtain their own individual property insurance policies (i.e., HO-6 policy). The standards detail further the coverage and deductible requirements and limits for unit owner insurance policies. **While lenders can require that borrowers obtain individual unit owner insurance policies, these new standards do not authorize associations to mandate such coverage – associations still must rely on their recorded condominium instruments and applicable state law for such authority.***

So, how should we react as managers and leaders of a condominium? Consider whether it feasible and desirable for your association to comply with these new standards and, if so, whether you can achieve compliance this year or gradually over a couple of years. Steps to consider taking include the following:

1. When evaluating budgets that carry into 2027, ensure that the Board is budgeting for reserve contributions in an amount that is at least 15% of the total assessment budget.
2. Review your reserve studies and current reserve budgeting formula to ensure the Board is not funding reserves based on the *baseline funding method* (where the reserve cash balance approaches but never falls below zero).
3. Confer with insurance professionals to ensure that the master insurance policies in place with your condominium satisfy the minimum standards to comply with the new Fannie and Freddie requirements. *Consider consulting with insurance brokers holding a Community Insurance & Risk Management Specialist (CIRMS®) designation. You can find a local CIRMS professional using Community Associations Institute's Directory of Credentialed Professionals (<https://www.caionline.org/directory-of-credentialed-professionals/>).*
4. If your condominium instruments or state law do not require unit owners to have their own insurance or to have insurance of sufficient types to cover the deductible associated with the master insurance policy, consult with legal counsel on the pros and cons of amending your condominium instruments.
5. Consider looking up to make sure that your condominium is listed as eligible or ineligible with Fannie Mae (<https://condostatus.fanniemae.com/>) and HUD (<https://entp.hud.gov/idapp/html/condlook.cfm>).

In the current housing market, with house prices and mortgage rates as high as they are, it is critical that owners be able to obtain loans to finance their purchases. In evaluating whether to lend money for a condominium purchase, lenders will carefully comply with the lending standards established by Fannie Mae, Freddie Mac, and HUD. To continue to have a large pool of potential buyers for condominium units, it is critical that managers and homeowner leaders take reasonable steps to try to avoid having a condominium declared ineligible for failing to attain standards which are within board control. Given the changing standards outlined here and the upcoming spring housing sale season, now is a great time to be proactive on these matters.

New FinCEN Rules for Reporting Non-Financed Residential Real Estate Transactions – Applicable to Community Associations?

Effective March 1, 2026, certain residential real estate transactions involving non-financed transfers to legal entities or trusts will require reporting to the Financial Crimes Enforcement Network (“FinCEN”) under the new federal Residential Real Estate Rule. **Homeowners’ associations, condominium associations and cooperatives in some limited circumstances could be considered “reporting persons” under the new reporting requirements, which are summarized below.**



While the purposes of this new rulemaking are to enhance transparency in real estate transactions and to combat money laundering, it is important for community associations to understand their role and their potential obligations under the new reporting requirements.

The new reporting rules apply to “non-financed transfers” transferring title in residential real estate to legal entities or trusts. For purposes of this rule, this can apply, for instance, to certain transfers of single-family houses, townhouses, condominiums and cooperatives (including condominiums and cooperatives in large buildings containing many such units, as well as entire buildings designed for occupancy by one to four families). Covered “non-financed transfers” typically involve transactions (i) that do not involve a lending institution (i.e., the transactions are not subject to a loan or mortgage) and (ii) the new owners are LLCs, corporations, or other legal entities other than natural persons. The concept of “non-financed transfers” can include other situations, and if interested, we suggest reviewing FinCEN’s FAQs at <https://www.fincen.gov/rre-faqs#C 1>.

Under the new rules, a community association could conceivably be a “reporting person,” but only if its role in the non-financed real estate transaction falls into one of the following categories (and only if there wasn’t another entity or person higher up in this “reporting cascade” who would qualify as the “reporting person”):

1. The person listed as the closing or settlement agent on the closing or settlement statement;
2. If no person described above is involved, the person that prepares the closing or settlement statement for the transfer;
3. *If no person described above is involved, the person that files with the recordation office the deed or other instrument that transfers ownership of the residential real property;*

4. If no person described above is involved, the person that underwrites an owner's title insurance policy for the transferee with respect to the transferred residential real property, such as a title insurance company;
5. If no person described above is involved, the person that disburses in any form, including from an escrow account, trust account, or lawyers' trust account, the greatest amount of funds in connection with the residential real property transfer;
6. If no person described above is involved, the person that provides an evaluation of the status of the title; or
7. *If no person described above is involved, the person that prepares the deed or, if no deed is involved, any other legal instrument that transfers ownership of the residential real property, including, with respect to shares in a cooperative housing corporation, the person who prepares the stock certificate.*

If none of the above functions are performed for a given reportable transfer of residential real property, then a report is not required to be filed.

While it is unlikely that the new federal regulations will apply to most community associations, it is important to understand that an association could potentially be considered a "reporting person" under the new FinCEN rules and subject to the reporting requirements. If there is any question as to whether your association's involvement in the transfer of title to residential real estate triggers a duty to report real estate transactions to FinCEN, we encourage you to contact your friendly community association attorneys at Chadwick Washington.

Chadwick Washington Zoom Webinar Series

Next Session: Monday, March 23, 2026, at 7:00 p.m.



CHADWICK, WASHINGTON, MORIARTY, ELMORE & BUNN, P.C., is pleased to announce and invites you to attend one or more of its educational Webinar Series for 2026 highlighting topics relating to community association law and governance. Each Webinar is one hour, with two topics presented by Chadwick Washington attorneys followed by Q&A Sessions in separate Zoom breakout rooms staffed by CWMEB attorneys. The waiting room for the Webinars will open about 15 minutes before the sessions begin at 7:00 p.m., with the Q&A Breakout Rooms opening at approximately 7:40 p.m.

Topics this season include Navigating Membership Petitions; Reciprocal Easements and Other Cost-Sharing Arrangements; Fair Housing – Common Issues; Quid Pro Quo/Hostile Housing Environment; Doxxing – Responding to Requests for Books and Records; Total Drama – Navigating Difficult Residents and Board Infighting; Enforcement of Judgments; Amending Governing Documents; Encroachments & Squatters; Conducting Violation Hearings; Ombudsman Complaint Procedures; Resolution ABCs – Necessary & Recommended Policies; Fiduciary Duty & A Final Word; Hostile Housing Environment; legislative updates; and more.

The firm's next educational Zoom Webinar will be held on **Monday, March 23, 2026, at 7:00 p.m.** and will include presentations regarding **Navigating Membership Petitions** and **Reciprocal Easements and Other Cost-Sharing Arrangements**. If you are interested in registering, you may do so directly [here](#) or send an email with your name and association name to Niyati Vaidya at nvaidya@chadwickwashington.com.

We look forward to seeing all of our clients and guests during our 2026 Webinar Series and encourage you to register early for those topics and presentations you don't want to miss. The schedule listing the dates, times and topics for the 2026 Webinar Series is posted [here](#). Clients, managers and guests can also register for the Webinar(s) of choice directly [here](#). Additionally, more information can be found on the Seminar Series page of our website at www.chadwickwashington.com

We Have Moved - New Fairfax Office Location

We are pleased to announce that our Fairfax office has moved to a new location. This move reflects our continued growth and commitment to better serving our clients.

As of December 15, 2025, the new office is located at:

Chadwick, Washington, Moriarty, Elmore & Bunn, P.C.
12150 Monument Drive
Suite 400
Fairfax, VA 22033

Our contact information remains the same. We look forward to welcoming you to our new space and continuing to provide the quality and dedication you expect from our Team.

Chadwick Washington Attorney Honored for Service



At the 2025 annual awards dinner for Washington Metropolitan Chapter of Community Associations Institute (WMCCAI), **CHADWICK, WASHINGTON, MORIARTY, ELMORE & BUNN, P.C.**, attorney **Allen Warren, Esq.**, was inducted into the prestigious WMCCAI Hall of Fame for his outstanding efforts with the Chapter over the past two plus decades. This award is presented to volunteers who have provided continuous, dedicated service to the Chapter for at least ten years, through serving on committees, service on the Board, and other volunteerism. He joins former and fellow Chadwick Washington attorneys Ken Chadwick, Esq., Wil Washington, Esq., and Brendan Bunn, Esq., who have also received this distinguished award.

Chadwick Washington Announces New Partner

CHADWICK, WASHINGTON, MORIARTY, ELMORE & BUNN, P.C. is proud to announce that **Tiago Bezerra, Esq.**, has been elected to the firm's partnership, effective January 1, 2026. Tiago's thoughtful and measured approach to counseling has played a key role in helping countless clients navigate complex legal challenges and achieve successful outcomes. His exceptional legal acumen, record of professional excellence and commitment to our firm's values and culture have played a vital role in the continued growth of our firm.



Tiago is in the firm's Fairfax office, and his practice is devoted to the wholesale representation of common interest communities in Virginia and the District of Columbia, providing counsel on matters such as covenant enforcement, parliamentary procedure, fair housing, collections, and governing document amendments. In 2024, Tiago was selected for fellowship in the College of Community Association Lawyers (CCAL), a prestigious group of attorneys from across the

world who have been recognized for their excellence in the practice of community association law. In addition, Tiago is actively involved with the Washington Metropolitan Chapter of Community Associations Institute (WMCCAI), having served on the Virginia and D.C. Legislative Committees and the WMCCAI Board of Directors. Tiago has contributed numerous articles to the WMCCAI monthly publication Quorum and is a frequent speaker on community association law, including providing programs with WMCCAI, the Community Associations Institute, Fairfax County Consumer Affairs, and the Alexandria Office of Housing.

As a shareholder, Tiago will continue to serve clients while helping guide the strategic direction of the firm and mentoring the next generation of attorneys.

Please join us in congratulating our newest Partner on this well-deserved milestone.

Chadwick Washington Welcomes New Attorney



CHADWICK, WASHINGTON, MORIARTY, ELMORE & BUNN, P.C. is excited to announce that **Samuel Rosen, Esq.**, joined the firm in December 2025 as an attorney in the firm's Glen Allen office. Prior to joining the firm, he worked for a civil litigation defense firm in Richmond. He received his J.D. from the University of Richmond School of Law in 2024. During law school, he served as an Articles Editor on the Journal of Law and Technology and as Treasurer of the Student Bar Association. He graduated from the University of Maryland with a degree in public policy in 2020.

Firm Happenings



In February 2026, **Bruce Easmunt, Esq.**, **Dan Blom, Esq.**, and **Tiago Bezerra, Esq.** spoke on various topics at the WMCCAI's annual Conference & Expo. including Deficiencies in Developer – Drafted Documents and Decoding – Insurance, and offered insights as a panelist on the Virginia Legislative Update Panel.



Michael Sottolano, Esq., has been selected as president-elect of CVC-CAI for 2026 and will be president of the Chapter in 2027. He is also presenting on the Fundamentals of Fiduciary, Legal and Contractual Oversight at the Board Leadership Development Workshop at the CVC-CAI 2026 Great Trade Show & Expo.



Jerry Wright, Jr., Esq., will be speaking on resale disclosure at the SEVA-CAI 2026 Trade Show, and Jerry will be speaking on recent Virginia legislative changes that may impact common interest community associations in Virginia at the CVC-CAI 2026 Great Trade Show & Expo



In the **March 2026** issue of WMCCAI's Quorum magazine please find at the following link article by **Michael Gartner, Esq.**, entitled the Art of Negotiation: [Quorum \(CAWM\) - The Art of Negotiation](#).



In the **January 2026** issue of WMCCAI's Quorum magazine, check out the article written by **Olga Tseliak, Esq.**, on Building Better Boards at the following link: [Quorum \(CAWM\) - Building Better Boards](#)



In the **January 2026** issue of WMCCAI's Quorum magazine, check out the article written by **Lindsey Davis, Esq.**, on Bridging the Knowledge Gap at the following link: [Quorum \(CAWM\) – Bridging the Knowledge Gap](#)



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