

Build-to-Rent Financing

CLIENT GUIDE | UPDATED OCTOBER 14, 2026

Can HUD finance a build-to-rent community?

Yes. Mortgagee Letter 2026-12 allows qualifying communities of detached rental homes, duplexes and triplexes under 221(d)(4) for new construction only, or 223(f) for acquisition or refinancing when the certificate of occupancy is dated less than three years before application. At least five units must be developed for long-term rental use and operated as one property on a cohesive, contiguous site. The usual program terms and underwriting requirements still apply; the BTR letter does not waive 223(f) operating-history, debt-coverage or cash-out requirements.

Does the entire BTR community have to be on one tax parcel?

No. HUD prefers a single tax parcel but permits multiple contiguous parcels within one cohesive site securing the loan. Separate lot lines do not by themselves disqualify a project. Interspersed privately owned parcels or residences are not allowed. Send us the plat, site plan and ownership information so we can review the proposed collateral.

Can I sell individual homes or lots after closing?

No. Under the BTR guidance, HUD will not approve sales of individual parcels or buildings, or partial releases of collateral, during the insured loan term. This financing is intended for a community held and operated as long-term rental housing.

Does a BTR community need on-site management?

The property must be professionally managed, but an on-site office and maintenance staff are not mandatory in every case. Staffing should be consistent with comparable properties. If management and maintenance are off-site, they must have an adequately staffed local presence. Disclose any HOA or masterplan restrictions at the concept meeting; they cannot interfere with the borrower's management control or HUD's requirements.

How does HUD account for BTR lease-up and reserves?

HUD expects conservative lease-up assumptions supported by comparable BTR communities. For new construction, HUD will consider a maximum absorption period of up to 24 months. That is a lease-up assumption, not a processing-time commitment. The initial operating deficit escrow must be at least the greater of 3% of the loan amount or four months of debt service; the analysis may require more. Budgets and replacement reserves should reflect the additional roofs, exteriors, grounds and other components in a lower-density community.

What vacancy assumption applies to BTR?

For market-rate BTR, use the greater of 7% or the vacancy supported by comparable properties. Affordable BTR may qualify for a lower assumption when supported by the market, income limits, restriction period and rent advantage, but it cannot be below 5%. Smaller projects may need a higher allowance. These are underwriting assumptions, separate from the actual occupancy needed to qualify for a loan.

Are BTR homes exempt from accessibility requirements?

Only certain requirements. Detached homes, duplexes and triplexes are not covered multifamily dwellings for the specific Fair Housing Act design requirements identified in the letter. Common areas and site amenities still require accessible features, and covered buildings with four or more units remain subject to the applicable design requirements. Section 504, the ADA and stricter state or local rules may also apply. We review the building mix, funding sources and plans with the project team.

Can BTR use modular or manufactured construction?

Generally yes, but the construction method and funding of off-site work need early review. HUD requires the issues involved in insuring construction advances to be addressed at the concept meeting. The borrower, contractor and management agent must also demonstrate successful experience with similar projects in type and scale.

General program information, not a loan commitment. Eligibility, proceeds and requirements depend on the transaction, applicable guidance and HUD approval.

References: [HUD Mortgagee Letter 2026-12](#); [MAP Guide](#).