

HUD 241(a) Program Guide

CLIENT GUIDE | UPDATED SEPTEMBER 27, 2026

At a glance

Term: Generally matches the first loan; up to 40 years may be considered when less than 25 years remain.

Interest: Fixed for the loan term.

First mortgage: Keep the existing FHA-insured loan in place.

Loan limits: Up to 90% of HUD-recognized improvement value; statutory limits also apply.

Equity: At least 10% of total development cost; eligible sources require review.

Debt coverage (DSCR): About 1.11× on the combined first and supplemental loan payments.

Cash-out: Not available; proceeds fund approved improvements.

Recourse: Nonrecourse; completion obligations apply.

The lowest applicable sizing result sets the loan amount. Debt coverage compares underwritten income with loan payments, including mortgage insurance.

How it works

HUD 241(a) provides a supplemental loan for eligible additions, improvements and energy conservation work at a property with an existing FHA-insured mortgage. The first mortgage stays in place.

This can be useful when the existing loan has attractive terms and the property needs additional financing for improvements. We'll review the proposed work, operating performance and combined debt service to determine the potential loan amount and required cash contribution.

When the first mortgage has more than 25 years remaining, the supplemental loan generally matures with it. When less than 25 years remain, HUD may consider up to 40 years, limited to 75% of the property's remaining economic life. Other maturity exceptions require HUD approval; a longer term is not automatic.

The statutory financing limit is 90% of HUD's estimated value of the improvements, additions or equipment. MAP recognizes eligible repair and transaction costs as that value, with land limited to fair market value. At least 10% of development cost must come from eligible equity sources. Excess replacement reserves, qualifying added land and cash may count; the existing property's value above its debt balance cannot satisfy the required equity contribution. Residual receipts cannot be used for that contribution either. BSPRA and SPRA are not available.

Combined first- and supplemental-mortgage debt service must fit within 90% of projected net operating income, approximately 1.11× coverage. Combined mortgage balances also face the applicable statutory per-unit limit. The existing FHA-insured first mortgage stays in place; HUD-held and Risk Share debt are not eligible under the MAP supplemental-loan provisions.

What to consider

Review the existing mortgage, proposed construction scope and total debt service together. Supplemental financing can preserve an attractive first mortgage, but proceeds, loan term, escrows and completion requirements still depend on the property and HUD approval.

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

References: [Program guidance](#).