

HUD Financing Questions & Answers

CLIENT GUIDE | UPDATED SEPTEMBER 27, 2026

What information do you need for an initial loan review?

A preliminary budget is enough to start the discussion. For new construction, send proposed rents, operating expenses, estimated construction costs and basic site information, including whether you own the land and whether it has debt. For an existing property, start with the rent roll, operating statements and your acquisition or refinancing goal. We can use that information to prepare an initial sizing before you invest in a full application.

Does signing a rate-lock authorization mean my interest rate is locked?

No. The authorization allows us to proceed, but the rate is not locked until the actual rate-lock transaction is completed and confirmed. HUD approval is also separate from rate lock. We coordinate the proposed rate, loan amount, required deposit and closing schedule with you before proceeding.

Can I receive credit for prepaid expenses?

Eligible expenses paid before closing, such as approved third-party reports, may be reimbursed or credited toward cash due at closing. Bedford reviews documentation and whether each item is an eligible mortgageable cost.

Do I need completed architectural plans before starting a 221(d)(4) application?

No. The initial HUD review can begin with limited documentation. The staged application process allows the design to develop before the final architectural and cost submission.

Can I receive a developer's fee?

A developer's fee may qualify in eligible affordable housing transactions, including LIHTC or RAD projects. It is not a standard market-rate loan cost and cannot be combined with BSPRA or SPRA. Nonprofit status alone does not establish eligibility.

What credit requirements apply to principals?

HUD reviews the financial strength, experience and track record of the ownership team in relation to the project. A credit score alone does not determine qualification. Bedford reviews the required financial support, liquidity and principal disclosures for the proposed financing.

Is a ground lease eligible?

Yes, a qualifying ground lease may be eligible. Its remaining term, provisions and lender protections must satisfy HUD requirements; Bedford can review the lease early in the process.

Must I already own the land or building, and have entitlements in place?

You can begin discussions before buying the property. Documented site control is needed for the application, and zoning, permits and other approvals must meet the requirements for each stage. We'll review the acquisition and approval schedule with you.

Is there a fee for the preliminary review or HUD concept meeting?

No. Bedford does not charge for the preliminary concept review, and there is no HUD application fee at that stage. Later application fees and third-party costs are separate. Our financing fee is payable at closing, as outlined in the engagement letter.

Is off-site work a mortgageable cost?

Work outside the project's collateral boundaries is generally paid with separate borrower funds. Certain necessary nearby utility or connection work may qualify, subject to review. Have Bedford evaluate the scope before including it in mortgageable costs.

Can the loan finance furniture, fixtures and equipment?

Eligible common-area furnishings and equipment can be included. Furniture for individual rental units, titled vehicles and minor expendable items are not mortgageable. Send us the proposed equipment schedule for review.

Can I start construction or site work before the HUD loan closes?

Discuss any proposed grading, infrastructure or construction work with Bedford before starting. Early work can affect eligibility and may require specific HUD approval. The program is intended to oversee and finance the construction process, rather than take over a partially completed project.

Are there benefits to developing in an Opportunity Zone?

Qualifying Opportunity Zone projects may receive a reduced HUD application fee and processing benefits. Bedford will confirm eligibility and the fee schedule applicable to the transaction.

Can I receive credit for prepaid expenses?

Eligible documented costs paid before closing, including approved reports or repairs, may be reimbursed or credited toward cash due at closing. Bedford will confirm which expenses qualify as mortgageable costs.

Do I need architectural plans for repairs under 223(f)?

Routine repairs generally do not require a full architectural plan set. More extensive work or changes to walls and unit layouts may require plans and additional review. Requirements depend on the actual repair scope.

Can I receive a developer's fee?

A developer's fee may qualify in eligible affordable housing transactions, including LIHTC, RAD or certain Section 202 refinances. It is not available on every acquisition or refinance. Nonprofit status alone does not establish eligibility.

What credit requirements apply to principals?

HUD evaluates the ownership team's financial strength, experience and credit history in relation to the property and loan. Bedford will review the applicable principal disclosures and financial requirements; a credit score alone does not determine qualification.

Is a ground lease eligible?

Yes, a qualifying leasehold interest can be financed. Bedford will review the lease term, provisions and lender protections for compliance with HUD requirements.

What do I need before the HUD concept meeting?

We typically need draft site and floor plans, a preliminary building concept, proposed rents and costs, and information about the ownership and development team. Include the contractor, architect and civil engineer, along with relevant experience and the proposed construction method. The plans can be preliminary. We use this information to prepare the narrative and exhibits for HUD's review before scheduling the meeting.

Does construction use up part of the 40-year amortization?

No. The construction period is in addition to the permanent amortization, which can be up to 40 years. For example, a two-year construction period followed by 40 years of permanent amortization would have an overall term of approximately 42 years. The final schedule is established in the loan documents.

Should I budget interest after construction is complete?

Yes. Allow for the period needed to complete cost certification and close out the construction financing. In our preliminary underwriting, we typically allow about two additional months of construction interest, then adjust the assumption to the project's schedule. This is a budgeting assumption, not a guaranteed processing time or a replacement for the payment dates in your loan documents.

What is cost certification?

Cost certification documents the eligible costs actually incurred on the project. It is part of the process leading to final endorsement and helps establish the final mortgage amount. If actual eligible costs are lower than the amount originally budgeted, the mortgage may need to be reduced. We account for this process when preparing the construction schedule and interest budget.

Does BSPRA automatically reduce the cash I need to invest?

No. The Builder's and Sponsor's Profit and Risk Allowance (BSPRA) is an underwriting allowance, not cash paid to the borrower. Its benefit depends on the eligible project structure and which loan-sizing limit controls. If project income limits the mortgage, BSPRA may provide little or no increase in proceeds. We can show its effect on your cash requirement in the initial financial model.

What types of properties qualify for HUD healthcare financing?

Section 232 covers qualifying skilled nursing, assisted living and board-and-care facilities. Memory care may qualify within an eligible licensed facility. HUD reviews licensing, care services, bed count and the property's operating history. Hospitals and outpatient clinics are not financed under Section 232.

Can a property include independent living units?

Yes, an otherwise eligible care facility may include a limited independent living component. A stand-alone independent living property is generally reviewed under HUD's multifamily programs instead. Send us the unit mix and services provided so we can identify the appropriate program.

Can I take cash out with a HUD healthcare refinance?

No. HUD 232/223(f) does not provide cash-out refinancing. Proceeds are limited by eligible existing debt and approved transaction costs, as well as the other loan-sizing requirements. A higher appraisal alone does not make additional equity available.

What existing debt can be refinanced?

Debt used to acquire, construct or improve the facility may qualify. We review what the money funded, when the debt was incurred and how it is documented. Owner advances, operating losses and unrelated business debt are not automatically eligible simply because they appear on the balance sheet.

Does a bridge loan have to be outstanding for two years?

Not always. The required holding period depends on the use of proceeds and the original transaction. Acquisition or improvement debt can be treated differently from debt that distributed equity to owners. Send us the original closing statement, loan documents and use of proceeds so we can review eligibility before setting a HUD closing date.

Can repairs and closing costs be included in the loan?

Eligible repairs, required reserves and approved financing costs may be included, subject to HUD review and the overall loan limits. Costs must be reasonable and documented. Including an expense in the project budget does not automatically mean the mortgage can fund it.

Can a loan from an owner or related company qualify?

Possibly. We review the use of proceeds, fair market value, collateral and evidence that the debt meets HUD's seasoning requirements. Being more than two years old does not automatically make related-party debt eligible. HUD must still approve it.

Can the operator keep accounts receivable financing?

Yes, accounts receivable financing can be compatible with Section 232 when the arrangement meets HUD requirements. The receivables lender, operator and HUD lender must coordinate the required agreements and lien priorities. Share the existing credit agreement early so we can review it. HUD now requires the accounts receivable review and its Terms Memo to be completed before assigning a closer or HUD legal counsel, so it is important to address this early.

How much healthcare experience does the team need?

HUD generally expects the borrower, operator and management agent's principals to have at least three years of successful experience with multiple facilities offering the proposed types of care. Experience with only one facility requires a longer history. Three years is a starting point, not an automatic qualification. We also review each participant's responsibilities, relevant market experience and, for construction, development and lease-up experience.

Can an experienced operator make up for a new borrower's lack of experience?

Generally, no. HUD reviews the borrower's healthcare experience as well as the operator and management agent. An experienced operator or management contract generally does not cure a borrower's lack of relevant experience. A strong balance sheet or credit score alone is not enough either. We review the actual ownership, control and responsibilities early to determine whether the proposed team meets HUD's requirements.

What should I send for an initial healthcare review?

Start with the facility's location, licensed beds or units, care types, occupancy and recent operating statements. Include existing debt details and any planned purchase or repairs. For the team, send a list of facilities, locations, care types, bed counts, dates and each principal's role. For construction, add the preliminary budget and development plan.

Can middle-income housing qualify without LIHTCs?

Yes. Qualifying 221(d)(4) projects may receive up to 90% loan-to-cost with a 1.11 debt coverage ratio. The current option generally requires an eligible state or local middle-income program or military Rental Partnership Program, with at least half the units restricted to households earning no more than 120% of area median income. Restrictions generally last at least 10 years. Special cases require HUD review; this option does not apply to 223(f) or healthcare loans.

When do healthcare renovations count as substantial rehabilitation?

Under current Section 232 rules, the test is whether repair and improvement hard costs exceed 25% of the facility's value after the work. Major movable equipment and addition costs are excluded from that calculation. Replacing two major building components no longer triggers substantial rehabilitation by itself. We'll review the scope to determine the appropriate program.

Can we fund improvements without refinancing our existing HUD healthcare loan?

HUD 232/241(a) may provide a separate supplemental loan for eligible improvements to an existing HUD-insured healthcare property. We review the current mortgage, proposed work, facility operations and combined debt burden before recommending the structure. Separate cost, added-value, total-debt and coverage tests limit proceeds. Its term generally follows the existing mortgage and is at least 10 years; exceptions require HUD approval.

Are there HUD construction programs beyond Section 221(d)(4)?

Yes. Section 231 is an additional option for eligible senior rental housing, and Section 220 serves qualifying revitalization areas. We compare these with Section 221(d)(4) based on the property and development plan. Their eligibility and sizing rules are not interchangeable.

Do I need to have closed a HUD loan before?

No. For multifamily loans, an experienced apartment owner can be a good candidate even if this is their first HUD loan. We review comparable-property experience, financial capacity and the management team. Healthcare loans have additional requirements: the borrower, operator and management team need relevant experience with similar care facilities. Hiring an experienced operator or manager generally does not make up for the borrower's lack of healthcare experience.

What costs are due before closing?

Bedford's finance fee is paid at closing. Appraisal, environmental and other third-party reports, application fees and legal work may be payable earlier, including if the loan does not close. We outline the expected costs and timing before you authorize the work. Eligible costs may be included in the financing, but that does not mean every expense is reimbursed.

Who orders the appraisal and other reports?

Bedford coordinates the required independent reports and reviews the professionals' qualifications and scope before they are ordered. Tell us about any existing reports first. A report commissioned for another lender or purpose may need updating or may not satisfy HUD requirements.

How does a 223(f) refinance differ from 223(a)(7) or a loan modification?

Section 223(f) can finance an acquisition or refinance and may permit cash-out, subject to underwriting. Section 223(a)(7) refinances an existing FHA-insured loan with a more limited purpose and no equity take-out. A loan modification changes terms of an existing loan when available; it is not a new acquisition or cash-out loan. We compare the savings, costs, existing prepayment terms and your plans before recommending an option. A multifamily 223(a)(7) refinance may also re-amortize the loan with up to 12 years of extension, counting prior extensions and subject to program and remaining-life limits.

Can I use an affiliated general contractor?

A related contractor is not automatically prohibited. Disclose shared ownership and control early so we can review the contract, fees, cost certification and any BSPRA election. Related-party arrangements need to be documented and meet the applicable HUD requirements.

Can modular construction qualify?

Yes, subject to HUD acceptance of the project and construction approach. Bring the manufacturer and contractor into the discussion early. We need to address design approvals, off-site fabrication, delivery, insurance and payment timing. Do not assume factory deposits or stored materials can be funded through a normal construction advance.

Can a multifamily HUD loan include commercial space?

Yes, within program limits. HUD evaluates both the commercial floor area and the income it contributes, and the limits differ between construction and existing-property financing. Send us the proposed uses, square footage and leases so we can test eligibility and underwrite the commercial income separately.

Can HUD financing be combined with LIHTC equity?

Yes. HUD mortgage financing can be combined with Low-Income Housing Tax Credit equity on eligible projects. We coordinate the equity installments, affordability restrictions, reserves and other funding sources with the mortgage. Tax credits do not automatically eliminate the cash needed at closing or make every development cost mortgage-eligible.

Can my existing management company stay in place?

Potentially. We review its experience with comparable properties, staffing, accounting and ability to meet HUD reporting requirements. An owner-affiliated manager can qualify, but the relationship must be disclosed and the proposed manager must demonstrate the required capacity.

Do nearby pipelines, power lines or railroads prevent HUD financing?

Not necessarily. Their location and characteristics may require additional review, setbacks or mitigation. Flag them before ordering reports or finalizing plans. HUD's 2026 environmental changes revised several requirements, but they did not eliminate environmental review or noise standards.

Can owners distribute all cash left in the operating account?

No. Distributions are based on surplus cash under the loan's regulatory agreement, not simply the bank balance. Required obligations and reserves must be accounted for first. Some eligible newer unassisted loans allow monthly distributions under HUD's 2022 policy; that option is not automatic and does not apply to every existing loan.

Can replacement reserves be used for property improvements?

Replacement reserves can fund eligible capital needs through the required approval process. Submit the proposed work and supporting costs to the servicer before assuming funds are available. Approval authority depends on the loan and any applicable lender delegation. These reserves are not unrestricted operating cash.

Does wind insurance have a separate deductible limit?

It can. HUD's multifamily wind and named-storm provisions are separate from the general casualty deductible rules. The applicable limits and any waiver depend on the transaction and policy. Have your broker send the proposed policy, deductibles and exclusions to Bedford for review before binding coverage; a certificate alone is not enough.

Why might the application need a market study as well as an appraisal?

The market study evaluates demand, competing supply and the proposed rents and absorption. The appraisal addresses value as part of underwriting. The required scope depends on the project and program. Bedford will coordinate the reports so the market assumptions, development plan and loan analysis are consistent.

Does HUD review care quality as well as the real estate?

Yes. Healthcare underwriting includes licensing, staffing and regulatory compliance. For skilled nursing facilities, HUD also reviews state inspection findings, corrective actions and CMS ratings, including relevant facilities elsewhere in the operator's portfolio. Explain open findings and the steps taken to resolve them early; property value and cash flow alone do not settle eligibility.

Why does HUD review the operator's finances separately?

The operator runs the care business and must be able to pay staff, suppliers and other operating costs. We review its financial strength and operating history, including billing, collections, receivables and payables. Where the real estate is leased to an operator, we also review whether the lease works for both the property owner and the care business.

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

References: [Bedford FAQs](#); [MAP Guide](#); [LEAN Guide](#); [ORCF updates](#); [Current HUD mortgagee letters](#).