

HUD 231 Program Guide

CLIENT GUIDE | UPDATED SEPTEMBER 27, 2026

At a glance

Term: Up to 40 years, fully amortizing; economic-life limits apply.

Interest: Fixed for the loan term.

Loan structure: Construction and permanent financing in one loan.

Cost / value benchmark: Up to 87%; 90% for qualifying affordable or rental-assisted properties.

Debt coverage (DSCR): At least 1.15×; 1.11× for qualifying categories, including MIP.

Recourse: Nonrecourse; completion obligations apply.

Annual MIP: 0.25% under the current multifamily schedule.

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

How it works

Section 231 is designed for rental housing serving residents age 62 or older and/or people with disabilities. We can compare it with Section 221(d)(4) before choosing the financing approach.

The occupancy plan, services, development budget and borrower structure matter. Send us a project description and preliminary budget so we can discuss the appropriate application path with HUD.

MAP links this program's loan ratios to Section 221(d)(4). Read together with Mortgagee Letter 2025-03, the general benchmarks are up to 87% with at least 1.15× debt coverage for market-rate housing, or up to 90% with at least 1.11× coverage for qualifying LIHTC properties with a rent advantage and properties with rental assistance on at least 90% of units. The lowest applicable sizing test controls the loan amount. The separate middle-income option under Mortgagee Letter 2026-01 is limited to Section 221(d)(4).

For new construction, the percentage applies to HUD replacement cost. For substantial rehabilitation, it applies to as-rehabilitated value instead. Section 231 generally requires at least eight units and the program's elderly or disability occupancy rules. BSPRA/SPRA may be available for eligible new construction without a developer fee, but not for Section 231 substantial rehabilitation.

What to consider

Independent rental housing and licensed residential care are different financing cases. We review the proposed services and occupancy restrictions before recommending a multifamily or healthcare program. Section 231 has its own occupancy rules and a value-based limit for substantial rehabilitation.

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

References: [MAP Guide](#); [Sizing update](#); [Middle-income scope](#).