

HUD 232/241(a) Program Guide

CLIENT GUIDE | UPDATED SEPTEMBER 15, 2026

At a glance

Term: At least 10 years; generally limited to the existing mortgage term unless HUD approves otherwise.

Interest: Fixed for the loan term.

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

Cost / value limits: Separate 90% replacement-cost, added-value and total-indebtedness tests apply.

Debt coverage (DSCR): Deduct existing loan payments from income, then apply the 1.45× test.

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

Recourse: Nonrecourse; completion obligations apply.

The lowest applicable sizing result sets the loan amount. Coverage for the supplemental loan uses income remaining after existing mortgage debt service.

How it works

A supplemental loan can help fund an addition, building improvements, eligible equipment or energy upgrades. We start by reviewing the existing HUD loan, the proposed work and how the facility will operate during construction.

Send us the current mortgage documents, recent financial statements, a scope of work and preliminary budget. We will review the owner and operator, licensing, reserves and the combined debt burden before recommending an application.

The term is generally limited to the existing insured mortgage's remaining term, with a minimum of 10 years. A different maturity requires HUD approval; the multifamily 241(a) provision for a possible 40-year term should not be applied automatically to healthcare.

HUD applies separate calculations: 90% of eligible replacement cost with deductions; 90% of the increase from as-is to as-proposed value with deductions; and 90% of as-proposed value less existing indebtedness. Debt-service sizing first deducts the existing loan's principal, interest and MIP from underwritten income, then applies 1.45× coverage to the supplemental loan. Grants, other funding and eligible-cost limits may further reduce proceeds.

What to consider

Loan proceeds depend on eligible costs, value and debt-service capacity. The construction scope, licensing and existing mortgage affect the required reviews. Prevailing-wage applicability depends on the existing insured loan; it is not identical for every supplemental transaction.

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

References: [Program guidance](#).