

Insights

FHA Financing Options for New and Recently Completed Build-to-Rent Communities

Article

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Developers planning a build-to-rent (BTR) community, or holding one completed within the past few years, have a new financing option to evaluate. For some owners, the first useful step may be checking the certificate of occupancy date before spending time comparing loan terms.

On October 14, 2026, the U.S. Department of Housing and Urban Development (HUD) expanded eligibility for Federal Housing Administration (FHA)-insured multifamily financing to qualifying BTR communities of detached homes, duplexes and triplexes, including site-built and manufactured homes. The change took effect immediately through Mortgagee Letter 2026-12. It creates potential financing opportunities for both new development and recently completed rental communities. ^[1]

Eligible BTR Projects and FHA Application Timing

Two programs provide the entry points. Section 221(d)(4) covers new construction only under this guidance. Section 223(f) covers acquisitions or refinancing where the certificate of occupancy is dated less than three years before application. The letter does not extend this BTR eligibility to older communities. ^[2]

That timing deserves attention. Owners approaching the three-year mark should ask a HUD-approved multifamily lender what must be ready for an application. Phased projects warrant an early discussion about the applicable certificate date and how the proposed collateral will be treated.

Recent construction does not, by itself, establish readiness to refinance. Existing Section 223(f) guidance requires completed construction and demonstrated operating performance, with supporting rent rolls, leasing history and income and expense information. A developer considering a permanent loan after construction or bridge financing should examine the

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lease-up timetable alongside the application window. ^[3]

BTR Site, Management and Ownership Requirements

The community must contain at least five dwellings on one cohesive, contiguous rental site, with professional management. Multiple contiguous parcels are acceptable, but interspersed privately owned homes are not. HUD also prohibits parcel or building sales and partial collateral releases during the insured loan term. Borrowers, contractors and managers must demonstrate successful experience with comparable projects in type and scale. ^[2]

Those conditions deserve a place in early planning. Would a proposed rental component work within a larger master-planned development? Do shared amenities, access arrangements or association powers need attention? HUD requires governing arrangements to preserve its enforcement rights and the borrower's management control. The answers may affect documentation as well as financing. ^[2]

FHA Underwriting Standards and Financing Costs

Loan sizing will require a realistic operating model. HUD may consider up to 24 months for new-construction absorption and calls for conservative BTR expense and reserve assumptions. Its existing market-rate underwriting permits up to 87 percent loan-to-cost or loan-to-value, as applicable, with a 1.15 debt-service coverage ratio. Other limits can reduce proceeds; cash-out refinancing has separate constraints. ^{[2][4]}

Projects serving middle-income renters may warrant another question. Under a separate HUD initiative, qualifying Section 221(d)(4) developments can receive more favorable underwriting through recognized state or local programs with recorded use restrictions. Could a proposed BTR community satisfy both sets of requirements? That possibility needs lender and HUD review. ^[5]

Construction financing also carries compliance costs worth pricing early. Applicable Davis-Bacon labor standards remain relevant to Section 221(d)(4), while Section 223(f) is exempt from those labor provisions. Comparing alternatives therefore requires more than an interest-rate quote. The project team should compare total costs, timing, required equity and the implications for the planned holding period. ^[6]

The policy expands access to loans made through FHA-approved lenders. HUD's announcement does not identify a separate BTR funding allocation. Developers should therefore test availability and economics with lenders rather than assume the announcement reserves capital for their projects or establishes a competitive grant opportunity. ^{[1][7]}

Institutional Ownership and BTR Financing Eligibility

Institutional ownership also deserves a closer look. The ROAD to Housing Act expressly excepts qualifying BTR purchases from its institutional-investor purchase prohibition. That exception does not establish FHA eligibility, which remains a separate inquiry. Sponsor size alone should not be used to assume a project is either eligible or excluded. ^[8]

Next Steps for BTR Developers and Owners

For a developer, the useful next step is a project-specific screening conversation. Bring the construction schedule or completion records, current financing, ownership structure and site plan. Identify any intended individual home sales. For completed communities, add operating results and the proposed application date. These materials should help expose threshold issues before a full financing exercise.

Several questions are worth putting to the lender. Is construction financing still a practical option at the project's present stage? Could a completed community support an acquisition or refinance loan before the age cutoff? What assumptions drive the available proceeds, and which project documents would require changes? The answers should guide the next round of diligence.

Could this make another planned community feasible, provide a different refinancing path, or support the purchase of a recently completed project? Each possibility warrants evaluation. It will be interesting to see how much of the expanded access ultimately translates into additional housing starts and deliveries in the BTR space.

If you are evaluating FHA financing for a new or recently completed build-to-rent community, contact **Alex Dobrev** to discuss how the eligibility requirements may affect your project.

Sources

[1] HUD announcement, October 14, 2026

[2] Mortgagee Letter 2026-12, Sections III and IV

[3] Notice H 2020-03, pages 1 and 2

[4] Mortgagee Letter 2025-03, page 2

[5] Mortgagee Letter 2026-01, Sections III and IV

[6] 24 C.F.R. § 200.33, Labor standards

[7] HUD program descriptions, Sections 221(d)(4) and 223(f)

[8] Public Law 119-101, § 1001(a)(2)(B) and (b)(2)(A)