

FHA / HUD Section 223(f) Heavy:

Acquisition or Refinance with a Funded Capital Improvement Program

The same 35 year, fixed rate, nonrecourse execution as a standard 223(f), applied to a property that needs real work. Blueprint sizes the loan against as repaired value so the capital plan supports proceeds, funds the scope through a HUD repair escrow, and tests the program boundary up front to confirm the deal stays in 223(f) rather than moving to the slower and more expensive 221(d)(4). Core terms carry over from the Blueprint 223(f) sheet. The rows below are what changes.

Repair Structure and Program Boundary

Program Fit	Existing stabilized rental housing carrying deferred maintenance, a capital plan driven by the needs assessment, or a light reposition. The 85% occupancy test still applies, so a property that must be emptied to be repaired is not a 223(f).
Substantial Rehabilitation Test	The scope is substantial rehabilitation, and therefore ineligible for 223(f), where hard cost exceeds the greater of 15% of as repaired value or the indexed per unit base amount of \$20,406 for 2026 as adjusted by the local high cost percentage, or where two or more major building components are replaced. Blueprint runs this test before application.
Valuation Basis	Loan to value is measured against as repaired value, so the funded repair program supports proceeds rather than consuming them.
Critical Repairs	Life safety, accessibility and code items identified in the capital needs assessment must be complete before endorsement. They cannot be escrowed.
Noncritical Repairs	Escrowed at closing at a premium to estimated cost, drawn against inspection, and completed within 12 months of endorsement. Unused balances reduce principal or fund the replacement reserve.
Davis Bacon	Prevailing wage does not apply to repairs under Section 223(f). On the same scope this is a material cost advantage over a 221(d)(4) execution.
Cost Basis Test	Where repairs are large relative to basis, proceeds are also tested against the cost to acquire or refinance plus the repair program and eligible transaction costs.
Construction Administration	A larger scope requires a fixed price contract, an independent cost review, bonding or an acceptable letter of credit, and periodic HUD inspections during the repair period.
Replacement Reserve	Reset by the capital needs assessment on an as repaired basis. Deposits are typically lower after a funded capital plan than before it.
HUD Fees	Application fee of 0.30% of the requested mortgage. Inspection fee of 1.0% of repair cost where repairs exceed \$3,000 per unit, otherwise \$30 per unit.

Third Party Reports	Appraisal on an as is and as repaired basis, capital needs assessment, Phase I environmental site assessment, and a cost review where the scope warrants it.
If the Scope Grows	Where the repair program crosses the substantial rehabilitation line, Blueprint moves the file to Section 221(d)(4) or bridges the asset to a stabilized 223(f) or 223(a)(7) takeout.
Indicative Timing	Roughly 5 to 7 months from engagement to closing. Cost review and contractor procurement are the usual critical path items.

Loan Sizing

The insured mortgage is the least of the requested amount, the applicable statutory per unit limit, the amount supported by the loan to value test, and the amount supported by the debt service coverage test. Leverage and coverage are unchanged from a standard 223(f). The difference is the basis they are applied to.

Property Type	Maximum LTC	Maximum LTV (Cash Out)	Minimum DSCR	Vacancy Factor
Rent Assisted	90%	80%	1.11x	3%
Affordable	90%	80%	1.11x	5%
Market Rate	87%	80%	1.15x	7%

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