HUD 221(d)(4) Timeline: *How Long Does the Process Take?*

A Step-by-Step Walk Through the Application Process, from Concept Meeting to Initial Closing

The most common question we get on 221(d)(4) deals is how long the process takes. Unless we have a specific reason to expect something faster, we tell clients to plan for twelve months. This article walks through each stage of the standard two-step process, explains where the timeline gets compressed or delayed, and covers the structural options available to sponsors who need to move faster.

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The range of timelines we have seen on 221(d)(4) deals is wide — the fastest close-to-initial-closing we are aware of under the standard two-step process took under ten months, and we have had deals take over twenty. The range isn't a function of how complex the deal is — it's mostly a function of how ready the borrower was when they started and how aggressively they were willing to push. In general, the standard two-step 221(d)(4) process — Concept Meeting, Pre-Application, Firm Application, closing — takes about **twelve months from initial engagement to Initial Closing**. That timeline assumes the development team is reasonably organized, the third-party reports come back clean, and HUD doesn't have major concerns at either submission stage. It also assumes the borrower waits for each HUD approval before starting the next step, which is the conservative approach. If any of those assumptions don't hold, the timeline

extends. We will explain what the standard process looks like month by month, where borrowers most often run into delays, and what options exist to compress the schedule.

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THE STANDARD PROCESS

Month by Month: *The Two-Step HUD 221(d)(4) Process*

The standard 221(d)(4) process has three distinct submission stages — the Concept Meeting, the Pre-Application, and the Firm Application — followed by a closing process. HUD reviews and issues a formal approval or invitation at each stage before the lender and borrower can proceed to the next. Below is what each stage involves and roughly when it falls in the twelve-month timeline.

MONTH 1

ENGAGEMENT

Initial Sizing, Lender Engagement & Concept Meeting Preparation

The lender sizes the loan — working through LTC and DSCR — and the borrower formally engages the lender. Simultaneously, the lender begins assembling the Concept Meeting package, which is a condensed submission that introduces the project to HUD. The Concept Meeting requires enough information to give HUD a clear picture of the project, the development team, and any obvious issues — but it doesn't require third-party reports, which is the main reason the Concept Meeting is relatively fast to prepare. In some cases we recommend ordering a preliminary desktop review market study at this stage to present to HUD at the Concept Meeting; it's not required, but having early third-party market data in front of HUD can help address feasibility questions before they become formal concerns. Desktop reviews typically cost less than a full market study, though they are a real expense the borrower absorbs if they choose to order one.

MONTH 2

CONCEPT MEETING

Concept Meeting with HUD

The Concept Meeting is required for nearly all 221(d)(4) transactions and is a free meeting with the local HUD regional office. We prefer to have these in person — they tend to go better than video calls — but HUD will accommodate either format. The lender presents the condensed package and HUD has a chance to ask questions, meet the development team, and flag any concerns before the lender invests in the full Pre-Application. The main topics are typically **market conditions**, site-specific design issues, and any obvious environmental concerns. About a week after the meeting, HUD issues (or declines to issue) an invitation to submit a Pre-Application.

MONTH 3

PRE-APPLICATION PREPARATION

Order Pre-Application Reports & Assemble Due Diligence

Once HUD invites the Pre-Application submission, the lender orders the three third-party reports required at this stage: a **market study**, a **Phase I/HEROS environmental report**, and a **limited appraisal**. The borrower simultaneously begins assembling the Pre-Application due diligence package, which includes preliminary development team information — financial statements, organizational documents, and experience documentation for the key principals. HUD doesn't require a finalized GC at this stage, but having a GC identified is helpful. The main things HUD is evaluating at Pre-Application are whether the development team has the experience to execute, whether the market supports the project, whether the appraisal's NOI is consistent with the lender's and borrower's underwriting, and whether any environmental issues exist. This is also the stage to address whatever HUD raised at the Concept Meeting.

MONTH 4

PRE-APPLICATION SUBMISSION

Submit Pre-Application to HUD

First-draft reports from third-party providers typically come back within about four weeks, after which the lender and borrower work through comments and revisions. Once the reports are finalized and the borrower's due diligence is complete, the lender assembles the Pre-Application package — the underwriting narrative, final third-party reports, and the completed due diligence checklist — and submits to HUD. **The submission fee at this stage is 15 basis points (0.15%) of the loan amount**, with a reduced rate for projects in Opportunity Zones. This fee counts toward the total 30 bps due across both submissions.

MONTH 5

HUD REVIEW

HUD Reviews Pre-Application

HUD's underwriting team reviews the Pre-Application package and, once their review is complete, issues an **Invitation to Submit Firm Application**. The quality and completeness of the submitted package has a direct effect on how long this review takes — a well-organized, thorough submission moves faster; an incomplete one generates RFIs that extend the review period. This stage is largely outside the borrower's and lender's control once the package is submitted, though being responsive to any HUD questions is important.

MONTH 6

FIRM APPLICATION PREPARATION

Order Firm Application Reports & Begin AEC Review

The Firm Application requires updated versions of the market study and appraisal, plus the **Architectural and Engineering Cost Review (AEC Review)** — the most critical and time-consuming report in the entire process. The AEC Reviewer analyzes the construction documentation (plans and specifications, signed architectural contracts, and draft GC contracts) to verify that they meet HUD's requirements. The AEC Reviewer cannot meaningfully begin that analysis until the plans and

specifications are at an **80% completion set**. This timing requirement matters more than most borrowers initially appreciate: if the design documents aren't at 80% when HUD issues the Firm Application invitation, the lender may have to delay ordering the other reports to avoid burning their shelf lives before the AEC Review is complete. The market study and appraisal each carry a **120-day shelf life**, and the Phase I ESA carries a **180-day shelf life** — so if the AEC Review runs long, reports ordered at the start of the Firm Application stage can expire before the package is ready to submit. We have seen this sequence create real timeline problems when borrowers, understandably eager to get started, order the appraisal and market study immediately — only to find the AEC Review still running months later because the plans weren't ready.

The Firm Application due diligence checklist is also substantially more extensive than the Pre-Application version. All Active Principals — anyone with operational or financial control — must be identified, along with the management agent, general contractor, and architect, each of whom provides mortgage credit due diligence. Passive investors don't need to be fully finalized at this stage, but all controlling parties do — and the more of the passive investor structure that is known at submission, the smoother the review tends to go.

MONTH 7

FIRM APPLICATION PREPARATION

Report Revisions & AEC Comment Cycle

Draft reports come back and the back-and-forth process begins with the appraiser and market study provider. Concurrently, the AEC Reviewer returns its initial comments on the 80% plan set for the architect and GC to incorporate into the evolving design documents. By the time the AEC Review can be finalized, the plans and specifications need to have reached a **permit-ready stage** — essentially final outside of the formal permit approval set — and must incorporate all HUD requirements identified during the review process.

MONTH 8

FIRM APPLICATION SUBMISSION

Finalize Reports, Loan Committee & Submit Firm Application

Depending on how many AEC comment cycles are required, the AEC Review and other third-party reports are finalized around this point, alongside the completion of the lender's full due diligence package. The lender finalizes the Firm Application underwriting and submits it to the internal loan committee. After loan committee approval, the full Firm Application package — including the lender's underwriting narrative, all third-party reports, and the complete due diligence file — is submitted to HUD. **The second and final submission fee is an additional 15 bps, bringing the total HUD application fee to 0.30%** of the loan amount.

MONTHS 9–10

HUD REVIEW

HUD Reviews Firm Application & Issues Firm Commitment

HUD conducts its full underwriting review of the Firm Application. If the package is complete and well-assembled, HUD typically issues the **Firm Commitment** — its commitment to insure the mortgage — near the end of this period. Receiving the Firm Commitment is the key milestone for rate lock: it's when the lender can pursue the best available rate lock pricing, and it's often when the rate lock actually happens. As with the Pre-Application review, a thorough package accelerates this stage; RFIs from an incomplete package can extend it by weeks or longer.

MONTH 11

CLOSING PREPARATION

Closing Process Begins & Permitting Changes Resolved

The closing process starts once the Firm Commitment is in hand. Any design documentation changes required by the permitting process must be reviewed and approved by both the AEC Reviewer and HUD before the Initial Closing, which is a common source of timeline extension at this stage if the permitting authority has material comments on the final plan set.

MONTH 12

INITIAL CLOSING

Permit Drawn & Initial Closing — Construction Begins

The building permit is drawn, the Initial Closing occurs, and construction can start. From here, the lender manages construction draws through the construction period, with the Final Closing occurring once construction is complete and HUD has reviewed the cost certification.

THE TWO FIXED PERIODS

There are two stretches in the 221(d)(4) timeline that can't be meaningfully compressed regardless of how well-organized the borrower and lender are: the period when HUD is reviewing the Pre-Application, and the period when HUD is reviewing the Firm Application. A thorough, complete submission at each stage can move these reviews toward the faster end of the range — and a deficient package can extend them substantially — but neither review can be bypassed in the standard two-step process.

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RISK FACTORS

Where the HUD 221(d)(4) Timeline *Gets Extended*

Most of the deals that drift well past twelve months run into one of the same three problems. They're each worth understanding before you start the process.

Design documentation not keeping pace with the HUD timeline. The most common delay we see is the development team not having the plans and specifications at 80% when HUD issues the Firm Application invitation. This happens more often than it should — architects and GCs are busy, and their internal timelines often slip in ways that aren't visible to the borrower until the lender is ready to engage the AEC Reviewer. When

this happens and the appraisal and market study have already been engaged, the lender may end up in a situation where those reports expire — the market study and appraisal have **120-day shelf lives**, and the Phase I ESA has a **180-day shelf life** — before the AEC Review is complete, triggering the need to reorder. Report shelf-life cascades are one of the more expensive and avoidable sources of timeline extension, and they stem almost entirely from the design documentation not staying on schedule. On deals where this is a risk, an origination team that understands report shelf lives and can have direct, frank conversations about design timing early can prevent a lot of pain later.

Equity and organizational structure not finalized. Borrowers frequently start the HUD process well before the equity stack and ownership structure are fully locked. This is understandable — syndicating tax credits or bringing in equity partners takes time, and developers don't always want to slow the HUD process to wait for it. The problem is that HUD requires all Active Principals to be identified and provide full due diligence at the Firm Application stage, and any delay in finalizing the equity structure creates a decision point: submit an incomplete package and generate RFIs, or wait for the structure to close and push the submission date. One deal we worked on that took twenty months was stalled primarily because the equity syndication took longer than anyone anticipated, and the borrower wasn't in a position to take the next step until it was resolved.

HUD concerns that weren't anticipated at the Concept Meeting. Environmental issues, market concerns, and appraisal variances that weren't identified early occasionally surface at the Pre-Application or Firm Application stage and require additional work — Phase II environmental assessments, market study revisions, or appraisal reconciliation — before HUD will proceed. These are harder to predict, but an experienced origination team with a strong sense of what HUD will and won't accept can often flag them before the formal submissions and address them proactively rather than reactively.

> ⚠ Report shelf-life cascades are one of the more avoidable sources of timeline extension but tend to develop quietly. The market study and appraisal each carry a 120-day shelf life; the Phase I ESA carries 180 days. If the AEC Review process runs long because design documentation wasn't ready, reports ordered at the start of the Firm Application stage can expire before the package is ready to submit — requiring a full reorder. This is worth tracking actively from the moment Firm Application reports are engaged.

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ACCELERATION OPTIONS

How to *Compress the 221(d)(4) Timeline*

There are two real approaches to compressing the 221(d)(4) timeline. One is structural — asking HUD to approve a One-Step process. The other is a risk decision the borrower makes at each stage.

The One-Step process. At the Concept Meeting, the lender can request that HUD approve a "One-Step" process, which eliminates the Pre-Application stage entirely and allows the lender to proceed directly from the Concept Meeting to a Firm Application submission. If approved, this cuts out the Pre-Application third-party reports, the Pre-Application due diligence package, the 15 bps submission fee, and — most importantly — the

one to two months spent waiting for HUD to review the Pre-Application and issue its invitation. HUD only grants One-Step approval in specific circumstances: **LIHTC transactions**, deals with strong sponsors who have a documented track record of successfully closing 221(d)(4)s, or projects in markets where HUD has minimal feasibility concerns. Even strong sponsors who would qualify for One-Step approval sometimes voluntarily elect the two-step process — the logic being that by completing the Pre-Application stage, they have limited their financial exposure if HUD ultimately has concerns, since they've only paid for the less expensive Pre-Application reports and half the total HUD fees.

One thing worth noting: when I was underwriting 221(d)(4) deals on the lender side, I never had a submission denied by HUD. We can give you an honest read on where HUD is likely to push back — primarily environmental and market concerns — before you commit to either approach.

Starting the next step before receiving HUD's approval. The twelve-month timeline described above assumes the borrower waits for each HUD approval before beginning the next stage. Some of our fastest timelines have come from borrowers who were willing to take a calculated risk that HUD was going to approve the stage under review, and began ordering reports or assembling due diligence before the formal invitation arrived. There is real risk here — if HUD declines to invite the next submission, the work and report costs can be wasted — but for borrowers with strong deals and a high-confidence read on HUD's likely response, it's an effective way to compress the schedule. To execute this properly, the borrower, architect, and GC need to be coordinated enough that reports aren't ordered before the design documentation can support them. The 80% plan-and-specs requirement for the AEC Review doesn't go away just because the borrower is willing to move faster.

APPROACH	ESTIMATED TIMELINE	KEY REQUIREMENT
Standard Two-Step (sequential)	**~12 months**	Organized development team, clean reports
Standard Two-Step (overlapping stages)	~9–10 months	Borrower willing to absorb risk of starting next step early
One-Step (HUD approved)	~8–9 months	LIHTC deal, strong prior 221(d)(4) track record, or strong market
One-Step (overlapping stages)	~6–7 months	All of the above, plus willingness to move before formal approvals

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PERSPECTIVE

The 12-Month 221(d)(4) Timeline *in Context*

The 221(d)(4) process is slower than conventional bank construction financing. There is no version of this where that isn't true. But developers who push back on the timeline most often aren't comparing the HUD process against a realistic alternative — they're comparing it against where they already are in the design and entitlement process when they first call a lender, which is usually several months in.

Most multifamily developments take twelve to eighteen months from initial site control to permit-ready plans, when you account for design development, land use approvals, and entitlements. The HUD process requires roughly the same amount of time, and the two can run concurrently. If a developer engages a HUD lender at the beginning of the development process rather than near the end, the HUD timeline aligns with the design timeline — the Concept Meeting happens while the architect is still doing schematic design, the Pre-Application is in progress during design development, and the AEC Review begins once the plans hit 80%, which is roughly when the developer would be pulling permits anyway. Framed that way, the 221(d)(4) doesn't add twelve months to the schedule. It runs alongside the schedule the developer already has.

The borrowers who feel the 221(d)(4) timeline most acutely are the ones who start talking to a HUD lender when they have near-final plans, are ready to pull permits, and are expecting to break ground in thirty to sixty days. At that point, a twelve-month HUD process genuinely does represent a delay — not because HUD is slow, but because the developer reached out too late in the process. The fix isn't a faster HUD process; it's an earlier conversation.

Combined with the 221(d)(4)'s financing terms — **87% LTC for market-rate deals**, **1.15x DSCR**, a **40-year fully-amortizing loan** with no refinance risk or interest-rate reset at completion — the timeline calculus changes considerably when the developer starts the process at the right time. The program's permanent, fixed-rate construction-to-perm structure eliminates the refinance exposure that comes with conventional construction financing, which is a meaningful underwriting consideration in environments where terminal cap rates or interest rates are uncertain.

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COMMON QUESTIONS

Frequently Asked Questions: *HUD 221(d)(4) Timeline*

How long does a HUD 221(d)(4) construction loan take from start to close?

The standard two-step process — Concept Meeting, Pre-Application, Firm Application, and closing — takes approximately **12 months from initial lender engagement to Initial Closing**. This assumes the development team is organized, third-party reports come back clean, and HUD doesn't have significant concerns at either submission stage. Deals with well-prepared sponsors using a One-Step process can close faster; deals with delayed design documentation or unresolved equity structure can take considerably longer.

When should I bring a HUD lender into a 221(d)(4) development?

At the beginning, while the architect is in schematic design. Engaged that early, the Concept Meeting runs during schematic design, the Pre-Application during design development, and AEC review starts when the plans reach about 80%, around when you'd be pulling permits anyway. If started too late, HUD's process seems slow because it is tacked on after the design process instead of alongside it.

What is the HUD 221(d)(4) Concept Meeting?

The Concept Meeting is a required free meeting with the local HUD regional office, typically held at the beginning of the 221(d)(4) process. The lender submits a condensed application package and HUD uses the meeting to ask questions, meet the development team, and flag concerns about market conditions, design, or environmental issues before the lender invests in a full Pre-Application. About a week after the meeting, HUD issues (or declines to issue) an invitation to submit a Pre-Application.

What is the HUD 221(d)(4) One-Step process and who qualifies?

The One-Step process eliminates the Pre-Application stage entirely, allowing the lender to proceed directly from the Concept Meeting to a Firm Application submission. HUD approves One-Step requests for **LIHTC transactions**, sponsors with a documented track record of closing 221(d)(4)s, or projects in markets where HUD has minimal feasibility concerns. It saves one to two months by eliminating the Pre-Application submission and HUD review period, as well as the first 0.15% application fee.

What are the shelf lives of third-party reports in a HUD 221(d)(4)?

The market study and appraisal each carry a **120-day shelf life**. The Phase I Environmental Site Assessment (Phase I ESA/HEROS) carries a **180-day shelf life**. If the AEC Review runs long because design documentation wasn't ready, reports ordered early in the Firm Application stage can expire before the package is submitted — requiring a reorder. This is one of the most common and avoidable sources of timeline extension.

What is the AEC Review and when does it happen in the 221(d)(4) process?

The Architectural and Engineering Cost Review (AEC Review) is a required third-party report for the Firm Application. An independent AEC Reviewer analyzes the construction documentation — plans and specifications, architectural contracts, and GC contracts — to verify compliance with HUD requirements. The AEC Reviewer requires plans to be at an **80% completion set** before beginning, and requires a **permit-ready stage** before finalizing. It is typically the longest-lead report in the Firm Application stage and the most common source of scheduling conflicts with the appraisal and market study.

How much does it cost to apply for a HUD 221(d)(4) loan?

The total HUD application fee is **0.30% of the loan amount**, paid in two equal installments: 0.15% at the Pre-Application submission and 0.15% at the Firm Application submission. A reduced rate applies for projects in Opportunity Zones. In a One-Step process, only the single 0.30% Firm Application fee applies, since the Pre-Application stage is skipped.

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HUD/FHA Multifamily Origination

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