Mortgage Loan and Property Characteristics That May Require Additional Disclosure

This Form 4098 provides guidance for determining whether an MBS Mortgage Loan requires Additional Disclosure. If a Mortgage Loan requires Additional Disclosure, the Lender must comply with all applicable terms of the Guide with respect to Additional Disclosure, including what disclosure is required at Rate Lock or Commitment. All terms used and not otherwise defined in this Guidance have the meanings set forth in the Appendix to the Guide – Glossary.

If a Mortgage Loan is expected to have any non-standard terms or characteristics, the Lender must work with the Fannie Mae Deal Team and the Lender's legal counsel to determine if Additional Disclosure is required *before* circulating the applicable Multifamily Required Trade Information for Cash or MBS Loans (Form 4097.Fixed Rate) or Multifamily Required Trade Information for ARM Cash or MBS Loans (Form 4097.ARM; collectively, "Form 4097"), or entering into a Rate Lock. Form 4097 must inform potential MBS Investors of all Additional Disclosure prior to the Lender entering into a Rate Lock.

Additional Disclosure for Non-Standard Characteristics

The Prospectus and/or accompanying Annex A for a Mortgage Loan ("Annex A") provide Additional Disclosure if, in comparison with a typical Mortgage Loan, the Mortgage Loan has non-standard characteristics that may:

- negatively affect Mortgage Loan performance;
- increase the probability of the occurrence of an event of default under the Loan Documents; or
- increase the probability of Prepayment.

For these Mortgage Loans, the Form 4097 delivered to potential MBS Investors must (i) indicate that the MBS is subject to Additional Disclosure, and (ii) specify the non-standard characteristics that will be disclosed in connection with the MBS. **The non-standard characteristics disclosed on Form 4097 must not differ significantly from those characteristics that will be disclosed at the issuance of the MBS.**

Certain non-standard characteristics may also impact MBS compliance with the Internal Revenue Code or the Trust Agreement. Any such non-standard characteristics must be discussed with the Fannie Mae Deal Team prior to entering into a Rate Lock with any MBS Investor.

Common Loan Terms or Characteristics Requiring Additional Disclosure

Below is a list of Mortgage Loan terms, characteristics, and features that generally trigger Additional Disclosure. This list is not exhaustive, but rather represents the most common Additional Disclosure scenarios. Please also note that inclusion on the list below does not imply Lender delegation to include that term or characteristic in the structure or Loan Documents for a specific Mortgage Loan unless the Lender (i) is specifically delegated to do so by the Guide, or (ii) receives Pre-Review or other approval.

© 2026 Fannie Mae. Trademarks of Fannie Mae.

Additional Disclosure for Non-Standard Characteristics: Loans on Properties Securing Current or Future

- **Bifurcated Mortgage Loan**: A Bifurcated Mortgage Loan is a single Mortgage Loan where the aggregate amount of the debt is divided among two separate Notes having the same (i.e., pari passu) payment priority, with both Notes being secured by a single Security Instrument. Each Note in a Bifurcated Mortgage Loan generally has different loan terms (e.g., Maturity Date, required Prepayment Premium), which permits the Borrower to pay off a portion of the total debt during the term of the Bifurcated Mortgage Loan. An example of a Bifurcated Mortgage Loan: one Note is subject to an Interest Reduction Program ("IRP"), and the other is not.

- **Cross-Defaulted/Cross-Collateralized**: A Mortgage Loan whose Loan Documents (i) include a provision that causes a default under that Mortgage Loan due to the occurrence of a default under a second Mortgage Loan, and/or (ii) secure that Mortgage Loan as well as a second Mortgage Loan, requires Additional Disclosure as provided by the "*Job Aid: Data Guidance for Cross-Defaulted and Cross-Collateralized Mortgage Loans*".

- **Mezzanine Financing or Preferred Equity**: A Mortgage Loan with (i) Mezzanine Financing permitted under the Loan Agreement, including third party or DUS Lender Affiliate Mezzanine Financing, and which is secured by direct or indirect equity interests in the Borrower, or (ii) Preferred Equity that is identified as a Pre-Review Mortgage Loan in the Multifamily Underwriting Standards (Form 4660). Data for a Mortgage Loan with Hard Preferred Equity should be entered in the Mezzanine Financing fields in C&D. This data will be disclosed in the Mezzanine data fields on Annex A, and in a footnote stating it is Hard Preferred Equity.

- **Senior Third-Party Debt**: A Mortgage Loan with non-Fannie Mae financing secured by a Lien senior to the Mortgage Loan (e.g., state or federal loans or grants with senior Liens on the Property).

  NOTE: ***Subordinate debt that is currently in place or is being placed on the Property concurrently with the Mortgage Loan should not be submitted as Additional Disclosure. Data for such debt should be reflected in C&D in the "Additional Debt" section on both the "Commitment" and "Loan" pages. A subset of this data will then be disclosed on Annex A.*** *"Soft subordinate debt" should not be included as "Additional Debt" in C&D. For assistance in determining if a transaction has soft subordinate debt, please contact your Fannie Mae Deal Team.*

- **Split Mortgage Loan**: A Split Mortgage Loan consists of two Mortgage Loans, a Senior Mortgage Loan and a Subordinate Mortgage Loan, that are underwritten concurrently as a single credit, but are documented as separate Mortgage Loans (i.e., each is evidenced and/or secured by a separate Loan Agreement, Note, and Security Instrument). Each Mortgage Loan in a Split Mortgage Loan may have different loan terms (e.g., Maturity Date, required Prepayment Premium), which permits the Borrower to pay off a portion of the total debt during the term of the Split Mortgage Loan.

  NOTE: *Additional details for delivering a Bifurcated Mortgage Loan or a Split Mortgage Loan are available in the "Job Aid: Split, Bifurcated, and Interest Reduction Payment (IRP) Subsidy Loan Structures".*

Additional Disclosure for Non-Standard Characteristics:

- **Additional Non-Real Estate Collateral**: A Mortgage Loan that is supported by a Letter of Credit or other additional collateral that secures specific performance by the Borrower and where the proceeds of the Letter of Credit or additional collateral may be used to pay down the Mortgage Loan if the Borrower fails to perform as required (e.g., a Mortgage Loan where an Achievement Agreement provides for a pay down of the Unpaid Principal Balance (UPB) if specific performance benchmarks at the Property are not met).

- **Partial Prepayment**: The Loan Documents permit the Borrower to make a voluntary partial Prepayment during the term of the Mortgage Loan (e.g., a partial Prepayment is permitted after a partial release of collateral).

Additional Disclosure for Non-Standard Characteristics: Property-Related Issues

- **Commercial Condominium Project (includes Vertical Subdivision or Air Rights)**: The Property securing the Mortgage Loan consists of one or more multifamily housing units of a condominium project, together with any related facilities such as parking areas or recreation facilities, with the remaining units being used for purposes other than multifamily housing (i.e., retail sales). The remaining units are typically not included in the Property but may include benefits and/or burdens such as easements, rights of way, or common areas that could impact the Property. A standard condominium or a fractured condominium does not require Additional Disclosure unless it is also a commercial condominium. Due to variations and complexities of commercial condominium projects, please contact your Fannie Mae Deal Team with any questions.

- **Delaware Statutory Trust (DST)**: If any DST Borrower is owned by a DST entity, Additional Disclosure is required to describe the additional risk factors or impacts to control of the Property that may be caused by the layered DST structure.

- **Due-on-Sale and Related Property Transfer Restrictions**: The Loan Documents contain an additional covenant or event of default providing that the Mortgage Loan will be in default or must be paid in full upon the occurrence of a specified event such as:
  - the violation of a covenant requiring the Borrower, or an Affiliate of the Borrower, to acquire an adjacent or related Property (or a controlling interest in the entity owning such Property) so that the adjacent or related Property (or the controlling interest in the entity owning such Property) is not acquired by a third party that is not an Affiliate of the Borrower; or
  - the purchase of the Property (or a transfer of a controlling interest in the Borrower or in a Key Principal) by a third party is permitted only if the third party also simultaneously purchases an existing or future phase of the Property or a related Property (or acquires a controlling interest in the entity that owns the phase or Property); a failure to comply with the restrictions on sale or transfer results in acceleration of the Mortgage Loan.

- **Future Release, Condemnation, or Property Not Security**: A Mortgage Loan secured by a Property where a portion of the Property is:
  - expected to be released after the MBS Issue Date (e.g., a partial release where the Borrower plans to sell a portion of the undeveloped area of the Property);
  - scheduled to be condemned (e.g., a portion will be taken by a governmental agency through eminent domain); or
  - not available as security for the Mortgage Loan.

- **Property assigned by Borrower to a new Ground Lessor that could expire during the loan term**: Any Ground Lease that (a) expires during the Mortgage Loan term, and (b) by its terms, allows the Property to be assigned back to the Borrower, often for a nominal fee. This scenario occurs most frequently when the Property's fee interest is transferred to a public entity or authority, as ground lessor, and ground leased back to the Borrower in connection with a Tax Relief Program, and the end or loss of the Tax Relief Program terminates the Ground Lease and allows the Borrower to reacquire the Property.

- **Impairment on Use**: A special circumstance exists related to the use or operation of the Property that may affect the performance of the Property or increase the likelihood of Prepayment of the Mortgage Loan (e.g., successful operation of the Property requires continued access to a private water source that is not under the control of the Borrower; any material impact related to previous catastrophic or casualty events such as a fire, flood, etc., regardless of whether the impact was considered in underwriting).

- **Insurance Related Partial Prepayment**: The Lender agrees at the Mortgage Loan Origination Date to use condemnation or insurance proceeds to pay down the Mortgage Loan, rather than to repair or restore the damaged Property.

- **Master Operating Lease**: The Property is subject to a master operating lease. Typically, the Borrower under the Loan Documents enters into a lease with a single entity tenant which operates the Property and an event of default under the master operating lease is an event of default under the Loan Documents. Typically, in these transactions the Mortgaged Property is owned by a non-profit or other 3rd party and is leased back to the Borrower. This is often done to qualify for Tax Relief Programs. Transitional Housing properties often use a master lease.

- **Participation Interests**: Any MBS Pool that holds a less than 100% participation interest in a Mortgage Loan.

- **Pending Litigation**: Significant litigation is ongoing that may have a material adverse effect on the future operations and performance of the Property or the Borrower, or materially increase the likelihood of an event of default under the Loan Documents.

- **Property Valuation**: An Underwriting Value used by the Lender and approved by Fannie Mae that differs from the methodology for determining Property value as required by the Guide. Specific details of the deviation must be uploaded to DUS DocWay in the Underwriting Narrative and must be identical to the explanation and rationale for approval included in the Pre-Review submission in DUS Gateway.

- **Right to Purchase**: Additional Disclosure is required if a third-party has the right to purchase the Mortgaged Property. For example, if a Texas housing finance corporation has the right to purchase the Property under the Texas Local Government Code, disclosure of the right to purchase is required.

- **Special Public Purpose**: Properties that adhere to the MAH requirements for Special Public Purpose. Additional Disclosure comments must include:
    - Whether the restrictions are on
        - both Rent and Income; or
        - only Rent or only Income?
    - Whether the Property is in compliance with the Affordable Regulatory Agreement at the Mortgage Loan Origination Date or if the Property compliance will be phased in post-closing?
    - If the Property compliance will be phased in after the Mortgage Loan Origination Date, is compliance required:
        - within 12 months, but no later than 36 months, after the Mortgage Loan Origination Date;
        - with no deadline for regulatory compliance, but Borrower must comply with the "Next Available Unit" rule; or
        - with no deadline; the Affordable Regulatory Agreement allows the Borrower to reserve units for qualified residents, but does not require the units to be rented to qualified residents.

  See "*Job Aid: Affordable Housing Data Guidance*" for more details.

Additional Disclosure for Non-Standard Characteristics:

- **Conflict Mortgage Loans (i.e., Lender's Equity Interest or Ownership Interest in Borrower)**: The Mortgage Loan is a Conflict Mortgage Loan, or the Lender has an Ownership Interest in the Borrower. (Any equity interest acquired in the Borrower relating solely to obtaining the associated LIHTCs is not considered when determining if the Mortgage Loan is a Conflict Mortgage Loan.)
    - A Conflict Mortgage is any Mortgage Loan in which:
        - a Lender, any Lender Affiliate, or any Lender Senior Executive
            - owns (or will own) any direct or indirect equity interest in the Borrower, or
            - directly or indirectly controls the Borrower; or
        - any Lender employee, or group of employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower.
    - Any Lender employee, or group of employees, owns or will own less than 5% direct or indirect equity interest in the Borrower.
    - Any Mortgage Loan with DLA Mezzanine Financing.
- **Full Recourse Mortgage Loan**: The Mortgage Loan is approved for Delivery and is either (i) full recourse to the Borrower, or (ii) includes a full or partial Payment Guaranty.
- **LIHTC Investment**: Fannie Mae is a LIHTC investor and owns, either directly or indirectly, an equity interest in the Borrower. Disclosure is required without regard to the amount of ownership (i.e., there is no *de minimus* exception).
- **MBS as Bond Collateral (i.e., MTEB)**: An MBS that collateralizes a Bond under an affordable housing program, and issues related to the performance of the parties under the Bond transaction may cause an early termination of the MBS.
- **MTEB in Subordinate Lien position**: An MTEB transaction in a subordinate Lien position behind another Credit Enhancement Mortgage Loan.
- **Mortgage Loan Delivered in an MBS Pool without REMIC Tax Election**: If Fannie Mae has approved a Mortgage Loan for Delivery that fails to satisfy the requirements for making a REMIC tax election on the related MBS, Additional Disclosure is required to specify that a REMIC tax election will not be made upon securitization and that the MBS will be ineligible for re-securitization. For example, a Mortgage Loan is ineligible to make a REMIC tax election if: (i) the Lender cannot make the required Delivery representation in the Guide; or (ii) the aggregate UPB of a Seniors Housing Mortgage Loan exceeds 100% of the real estate value of the Property. In determining if the Mortgage Loan qualifies for a REMIC-eligible MBS, the value attributed to the real estate must only include value attributed to land and improvements, and must exclude all value attributed to goodwill, business value, intangibles, and/or furniture, fixtures and equipment in the Appraisal. (**NOTE**: *Fannie Mae will not generally approve a Mortgage Loan for Delivery unless the Mortgage Loan is eligible to make a REMIC tax election.)*
- **Near Stabilized Property**: A newly constructed or recently rehabilitated Property, with all construction or rehabilitation complete, which is expected to achieve Stabilized Residential Occupancy and the applicable required Underwritten Debt Service Coverage Ratio within 120 days (or other period approved by Fannie Mae) after the Mortgage Loan Origination Date.
- **Non-Standard Events of Default and/or Personal Recourse Triggers**: The Loan Documents include one or more events of default that are not standard (e.g., the failure to maintain specific financial covenants, such as net worth and liquidity benchmarks; the failure to comply with the terms of an environmental indemnity agreement; litigation or arbitration or any action or event related to litigation or arbitration). The above examples are not intended to be a complete list of the non-standard events of default that require Additional Disclosure. (Note: A shared use Property or a Property that is legally non-conforming does not require Additional Disclosure.)
- **Operating Deficit Guaranty**: Substantial rehabilitation is planned at the Property, and an operating deficit Guaranty is required.

- **Tax Relief Programs**: Additional Disclosure comments are required when:
  - a tax relief program is **not** in effect from the Mortgage Loan Origination Date through the Mortgage Loan Maturity Date (i.e., the tax relief program is added after the Mortgage Loan Origination Date or terminates prior to the Mortgage Loan Maturity Date; or
  - a tax relief program is added post issuance of the MBS.

  See "*Job Aid: Affordable Housing Data Guidance*" for more details.

- **Transfer/Assumption with Economic Test**: The Loan Documents specify that a transfer of the Property (or a controlling interest in the Borrower or Key Principal), or an assumption of the Mortgage Loan will be approved only if a DSCR, LTV, or other economic test is met.