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Multifamily Additional Disclosure Guidance

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 Part I – Glossary, of the Guide.

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. As outlined in this form, there are two types of Additional Disclosure:

- Additional Disclosure for Non-Standard Characteristics; and
- Systems Additional Disclosure.

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 affect:

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

Systems Additional Disclosure

Systems Additional Disclosure is required for any Mortgage Loan with characteristics that may be of interest to an MBS Investor in describing the Mortgage Loan or collateral, however those characteristics are not disclosed in the Mortgage Loan's Prospectus or Annex A. Systems Additional Disclosure will be made by placing a footnote on the appropriate page of Annex A. The Lender's Commitment with Fannie Mae in the Multifamily Committing and Delivery (C&D™) system must indicate Additional Disclosure by selecting "Additional Disclosure – Yes" in order to trigger the footnote.

For these Mortgage Loans, the Form 4097 provided to potential MBS Investors prior to the MBS trade must specify the non-standard characteristics. However, since the need for an MBS footnote is due to system constraints rather than unusual features of the Mortgage Loan or the Property, **the Mortgage Loan is not considered to require Additional Disclosure for the purpose of the Form 4097, the MBS trade, or the Rate Lock** (see "Systems Additional Disclosure" section below).

Common Loan Terms or Characteristics Requiring Additional Disclosure

Below is a list of Mortgage Loan terms, characteristics, and features that generally trigger Additional Disclosure. Please note that this list is not exhaustive, but rather represents the most common Additional Disclosure scenarios.

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

- **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.
- **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](#)”.

- **Cross Defaulted/Cross Collateralized:** In cases where cross-defaulted or cross-collateralized relationships exist as described below, Additional Disclosure is required. For additional details refer to “*Job Aid: Data Guidance for Cross-Defaulted and Cross-Collateralized Mortgage Loans*” on FannieMae.com/Delivery/CandD/Application and Training.
 - Two Way Cross-Default/Cross-Collateralization (Current Cross-Default with Existing Mortgage Loan): Either:
 - a new Mortgage Loan in an MBS is cross-defaulted and/or cross-collateralized with a Portfolio Mortgage Loan (Cash); or
 - a new Mortgage Loan in an MBS is cross-defaulted and/or cross collateralized with another loan that is not a Fannie Mae Mortgage Loan.
 - Two Way Cross-Default/Cross-Collateralization (Future Cross-Default with Future Mortgage Loan): The Mortgage Loan is expected to be cross-defaulted and/or cross-collateralized with a future MBS Mortgage Loan and secured by real estate other than the Property (e.g., the Mortgage Loan is secured by a Property that is the first phase of a planned multi-phase project consisting of multiple properties which will ultimately collateralize both the current and future Mortgage Loans).
 - Two Way Cross-Default Only, Multiple Mortgage Loans (e.g., Multiple Portfolio Mortgage Loans are cross-defaulted and cross-collateralized at the Mortgage Loan Origination Date): A new Supplemental Mortgage Loan is submitted that is subordinate to one of the Portfolio Mortgage Loans that was previously cross-defaulted and cross-collateralized. Disclosure for the new Supplemental Mortgage Loan must describe the cross-default relationship of the new Mortgage Loan with the Portfolio Mortgage Loans and the cross-default/cross-collateralization relationship among the Portfolio Mortgage Loans.
 - Two Way Cross-Defaulted Only (No cross-collateralization): A Bifurcated 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. (See **Bifurcated Mortgage Loan** characteristic on Page 2 for additional information)
 - One Way Cross-Default Only: A Portfolio Mortgage Loan did not disclose a possible future cross-default. A new Mortgage Loan is cross-defaulted with the Portfolio Mortgage Loan, but the Portfolio Mortgage Loan is not cross-defaulted with the new Mortgage Loan.



- **Mezzanine Financing or Preferred Equity:** Mortgage Loans with (i) Mezzanine Financing, including third party, DUS Plus, or DLA Mezz, 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). Disclosure on transactions with Mezzanine Financing or Preferred Equity will be determined on a case by case basis. 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:** Mortgage Loans 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). This senior debt is not held by Fannie Mae and may:
 - already be secured by a Lien that exists on the Property; or
 - be secured by a Lien that is recorded simultaneously with the Security Instrument.

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” is not subject to these C&D requirements. “Soft subordinate debt” is described more fully on the *DSCR Data: C&D Instructions* link on the Commitment and Loan pages in C&D. Questions regarding “soft subordinate debt” should be directed to the Multifamily Acquisitions team before data is entered in C&D.

Additional Disclosure for Non-Standard Characteristics: Prepayments

- **Additional Non-Real Estate Collateral:** Mortgage Loans that are supported by a Letter of Credit or other additional collateral that secure 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

- **Condominium Project:** The Property is operated as multifamily rental housing but is subject to a recorded condominium declaration, the Borrower does not own all of the residential units (i.e., a Fractured Condominium or “broken condominium”), and the Loan



Documents require the Borrower to acquire units owned by third parties when available for sale.

- **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) to 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:** Mortgage Loans secured by a Property where a portion of the Property is:
 - expected to be released after the MBS Issue Date (e.g., 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.
- **Impairment on Use:** A special circumstance exists related to the use or operation of the Property that may negatively 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).
- **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.
- **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 is calculated using a method of determining property value different than what is required by the Guide.
 - A Mortgage Loan secured by a Multifamily Affordable Housing (“MAH”) Property with:
 - an LTV less than 90%, and the Unpaid Principal Balance of the Mortgage Loan on the Issue Date of the MBS is greater than the Underwriting Value of the Property minus the value of planned Improvements to be completed after the Issue Date of the MBS; or
 - an LTV greater than or equal to 90%, and the Unpaid Principal Balance of the Mortgage Loan on the Issue Date of the MBS is greater than the Underwriting Value of the Property minus the sum of (i) the value of planned Improvements to be completed after the Issue Date of the MBS, plus (ii) the value of the Property’s furniture, fixtures and equipment.
 - A Mortgage Loan secured by a Seniors Housing Property where:
 - the Unpaid Principal Balance of the Mortgage Loan on the Issue Date of the MBS is greater than the Underwriting Value of the Property minus the sum of (i) the business enterprise value, plus (ii) the value of furniture, fixtures and equipment; or
 - the business enterprise value or the value of the furniture, fixtures and equipment cannot be determined on the Issue Date of the MBS.
- **Seniors Housing Master Operating Lease:** The Seniors Housing Property is subject to a master operating lease that also covers properties outside the MBS Pool, and an event of default under the master operating lease is an event of default under the Loan Documents.

**Additional Disclosure for Non-Standard Characteristics:
Other**

- **Conflict of Interest Mortgage Loans (i.e., Lender’s Equity Interest):** The Mortgage Loan is a Conflict Interest Mortgage Loan. The Lender must identify whenever the Lender or an Affiliate of the Lender has a controlling or a non-controlling interest in the Borrower.
- **MBS as Bond Collateral:** An MBS includes a Mortgage Loan secured by a Property that also 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.



- **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 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., an event of default occurring as the result of (i) the failure to maintain specific financial covenants, such as net worth and liquidity benchmarks, (ii) the failure to comply with the terms of an environmental indemnity agreement, or (iii) litigation or arbitration or any action or event related to litigation or arbitration), as well as events of default or non-standard covenants that trigger partial or full personal recourse to the Borrower.
- **Operating Deficit Guaranty:** Substantial rehabilitation is planned at the Property, and an operating deficit Guaranty is required.
- **Recourse:** The Mortgage Loan is full recourse to the Borrower, or has a full or partial Payment Guaranty from a Key Principal.
- **Recourse Events:** The Loan Documents for a non-recourse Mortgage Loan include an additional event that would trigger partial or full recourse to the Borrower (including events resulting in loss recourse or full personal recourse).
- **Revenue or Expense Changes (e.g., Tax Abatements):**
 - The Property benefits from a state or local tax abatement or a payment in lieu of taxes (PILOT) arrangement, and maintaining the tax abatement requires compliance with a state or local ordinance, the tax code, etc., and may require an annual application. The Loan Documents generally include covenants requiring the Borrower to maintain the tax abatement with the failure of the Borrower to do so constituting an event of default.
 - The Property receives additional revenue from a source other than operations of the Property, and the revenue is a primary or significant contributing source of income needed to provide debt service for the Mortgage Loan. This additional revenue or reduced expense may or may not be considered in the underwriting of the Mortgage Loan, but the term of the agreement/arrangement providing the revenue is shorter than the term of the Mortgage Loan (e.g., significant assistance is provided under an agreement for a federal or state program).
- **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.



Systems Additional Disclosure

For Systems Additional Disclosure, the Commitment in C&D will need to indicate Additional Disclosure by selecting “Additional Disclosure – Yes” in order to trigger the footnote. However, the Lender does not need to mark the Mortgage Loan as requiring “Additional Disclosure” for marketing purposes. Form 4097 should specify the specific non-standard characteristics.

- **Hybrid ARM:** A 30 year Mortgage Loan, comprised of an initial term where interest accrues at a fixed rate, after which it automatically converts to accrue interest at an adjustable rate for the remaining term. New ARM Plan 04891 will be used for these Mortgage Loans.
- **MFlex:** The Mortgage Loan is an MFlex Mortgage Loan, unless Fannie Mae's Multifamily Disclosure Operations Team has informed the Lender that Additional Disclosure is no longer required for the Lender's standard MBS deliveries
- **Other Prepayment Premium:** The Mortgage Loan is a fixed or variable rate Mortgage Loan and “Other Prepayment Premium” is selected as the Prepayment Protection Type in the Acquisition system. “Other Prepayment Premium Option” is selected when Graduated Prepayment and Declining Premium Prepayment schedules are not available as allowable values in dropdown lists in C&D and MSFMS. (For examples, refer to “[Job Aid: Entering Data for Fixed and Variable Rate Mortgage Loans with Graduated Prepayment Premium Schedule](#)”.)
- **Properties with Multiple Addresses:** Additional Disclosure is required in cases where a Property has multiple addresses as described in the bullets below. For additional details, refer to “[Job Aid: Guidance for Entering Multiple Property Addresses](#)”.
 - A Property with multiple addresses with the same zip code that is managed/operated as a single housing complex. The management office does not exist on the Property. Property addresses do not fit in the “Primary Property Address” section - Address 1 and Address 2 lines.
 - A Property with multiple addresses with different zip codes that are managed/operations as a single housing complex. The management office exists on the Property. Property addresses do not fit in the “Primary Property Address” section - Address 1 and Address 2 lines.
 - A Property with multiple addresses with different zip codes that are managed/operated as a single housing complex. The management office does not exist on the Property. Property addresses do not fit in the “Primary Property Address” section - Address 1 and Address 2 lines.