

# Standardized Property Measuring Guidelines



## Updated guidance

Appraisers will be required to use the Square Footage-Method for Calculating: ANSI® Z765-2021 (American National Standards Institute®) Measuring Standard for measuring, calculating, and reporting gross living area (GLA) and non-GLA areas of subject properties for appraisals requiring interior and exterior inspections with effective dates of April 1, 2022 or later on loans sold to Fannie Mae.

Historically, Fannie Mae's *Selling Guide* has not required the use of a specific measurement standard. This policy update will standardize the method used to measure, calculate, and report GLA and non-GLA areas of subject properties.

All footprint sketches and floor plans must be computer-generated (not hand-drawn), indicate all the dimensions needed to calculate the GLA and other required areas such as garage and basement, and show the calculations to demonstrate how the estimate for gross living area was derived.

## Why the change?

Valuations of residential property correlate strongly with GLA, yet to date there is little consistency in how appraisers determine it. Our adoption of the ANSI standard for measuring, calculating, and reporting square footage:

- Creates alignment across market participants.
- Provides a professional and defensible method for the appraiser.
- Allows transparent and repeatable results for the user of the appraisal report.

## How well do you know ANSI?

Here are some items for appraisers to consider when using the ANSI standard<sup>1</sup>:

- Measurements are taken to the nearest inch or tenth of a foot, and the final square footage is reported to the nearest whole square foot.
- Staircases are included in the GLA of the floor from which they descend.
- Basement is any space that is partially or completely below grade.
- The GLA calculation does not include openings to the floor below, e.g., two-story foyers.
- Finished areas must have a ceiling height of at least 7'. In a room with a sloping ceiling, at least 50% of the finished square footage of the room must have a ceiling height of at least 7' and no portion of the finished area that has a ceiling height of less than 5' can be included in the GLA.
- If a house has a finished area that does not have a ceiling height of 7' for 50% of the finished area, e.g., some cape cods, in conformance with the ANSI Standard, the appraiser may put this area on a separate line in the Sales Comparison Grid with the appropriate market adjustment. The report will be ANSI-compliant and also acknowledge the contributing value of the non-GLA square footage.

## What if comparable sales are measured differently?

GLA for properties in local MLS systems and assessor records may not be ANSI-compliant. The appraiser may not know what method an MLS listing or assessor used to calculate the GLA. Through research and their knowledge of the local market, appraisers determine if the GLA provided through alternate sources should be adjusted. The adjustment process does not change the requirement to report subject GLA to the ANSI standard.

## Is there an exception process?

If the appraiser is unable to adhere to the ANSI Standard, the appraiser will provide the code "GXX001 –" in the Additional Features field on the appraisal form and must explain why compliance was not possible. For example, berm homes with their entire square footage below grade would be eligible for an exception. The appraiser must provide justification for an exception, lenders are responsible for confirming the appraiser provided an adequate explanation. Fannie Mae will monitor for inappropriate use of exceptions (i.e., using methods other than the ANSI standard for homes that have typical above grade square footage).

## What next?

For additional information, see *Selling Guide* [B4-1.3-05](#), Improvements Section of the Appraisal Report and [B4-1.2-01](#), Exhibits for Appraisals.

Appraisers can visit [Home Innovation Research Labs](#) to obtain a copy of the standard and might consider taking a continuing education course to sharpen their skills.

Appraisers are encouraged to begin using the ANSI Z765-2021 Standard as soon as possible; however, it will be required for appraisals with effective dates of April 1, 2022 or later.

<sup>1</sup> American National Standard for Information Sciences — Square Footage — Method for Calculating, ANSI, Z765-2021 (approved March 2021)

# Guidelines for measuring Gross Living Area

## Frequently Asked Questions

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### **Q1. Why is Fannie Mae requiring appraisers to follow the Square Footage-Method for Calculating: ANSI® Z765-2021 standard?**

Valuations of residential property correlate strongly with Gross Living Area (GLA), yet to date there is substantial inconsistency in how appraisers determine it. Our adoption of the ANSI standard:

- Provides a professional and defensible method for the appraiser.
- Allows transparent and repeatable results for consumers of appraisal reports.
- Creates alignment across market participants.

One key factor in our decision to adopt the ANSI standard now is the recent emergence of new technologies, such as phone apps, which can measure houses, generate floor plans, and calculate GLA. In addition, the new desktop appraisal option Fannie Mae is launching requires a floor plan. Since appraisers are not inspecting the property personally for the desktop appraisal, we anticipate they will commonly receive the floor plan from a third party, so it makes sense that all parties (including the appraiser) would be using the same standards of measurement. ANSI is a standard that technologies can build to, other parties (such as real estate agents) can anticipate, and appraisers can create or consume with confidence.

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### **Q2. How prepared are appraisers to adopt the ANSI standard?**

Many appraisers have voluntarily adopted the ANSI standard since it first launched in April 1996. Some states require appraisers to adhere to it. Also, the ANSI standard is currently used by the National Association of Home Builders and by some tax assessors. It closely parallels common appraiser practices so adoption for many appraisers will be seamless.

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### **Q3. Will appraisers need to adopt new technology to comply with the requirement for sketches to be computer generated?**

Most appraisers already provide computer-generated (not hand-drawn) sketches in their reports. Software that creates computer-generated floor plans and sketches for appraisal reports is readily available and already in widespread use by appraisers.

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### **Q4. How can appraisers and lenders learn more about the ANSI standard?**

For appraisers and lenders who may need training or a refresher, there are many classes available to help them learn or refresh their knowledge of the ANSI standard. Appraisers can always [contact](#) Fannie Mae with questions or feedback on appraisal topics. Copies of the ANSI standard may be purchased at <https://www.homeinnovation.com/about/bookstore>.

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### **Q5. When common practice in the local market differs from the ANSI standard, can the appraiser modify the subject's GLA to conform to local custom?**

No. The appraiser must measure and report the subject's GLA following the ANSI standard.

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### **Q6. What should the appraiser do if compliance is not possible when measuring, calculating, and reporting GLA?**

If the appraiser is unable to adhere to the ANSI standard, they must enter “GXX001-” at the beginning of the Additional Features field of the appraisal report and provide an explanation of why they were not able to comply. For example, if the appraiser is performing an appraisal in a state that requires appraisers to adhere to a different measuring standard, the appraiser may use the exception code and the loan may still be eligible for purchase by Fannie Mae.

See the Gross Living Area section of [Selling Guide B4-1.3-05, Improvements Section of the Appraisal Report](#) for more information.

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### **Q7. Can appraisers use the exception code to voluntarily opt out of compliance with the ANSI standard?**

No.

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### **Q8. The ANSI standard specifically notes that the definition of above and below grade could cause some houses to have no above-grade finished square footage. How should appraisers report GLA in this scenario?**

Properties for which the entire square footage is below grade (such as berm homes) would be eligible for the exception process described in Q6.

### **Q9. How will lenders know that appraisers used the ANSI standard?**

The ANSI standard requires appraisers to make certain written declarations. Appraisers will indicate adherence to the ANSI standard by making the applicable declarations in the appraisal report. Failure to provide the written declaration when applicable voids any claim of adherence to the ANSI standard.

Conversely, if appraisers are unable to follow the ANSI standard, they will communicate this through the exception code “GXX001-” at the beginning of the Additional Features field of the appraisal report.

Note: As with all *Selling Guide* policies, lenders are responsible for verifying compliance prior to delivering the loan to Fannie Mae. Lenders should familiarize themselves with the ANSI standard and adopt underwriting and quality control procedures to ensure that appraisal data including GLA is accurately reported.

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### **Q10. Is the ANSI standard required for desktop appraisals?**

No. The ANSI standard is not required for desktop appraisals, nor is the exception code. We do encourage appraisers to voluntarily follow the ANSI standard on desktop appraisal assignments whenever feasible.

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### **Q11. Does Fannie Mae require condominiums to be measured per the ANSI standard?**

Irrespective of ownership type (Condominium, Co-op, Fee Simple, etc.), the ANSI standard must be followed (if legally permissible – see the *Annex to the ANSI standard*, page 4, for more information) for houses with detached or attached architectural design including townhouses, rowhouses, and other side-by-side houses.

The ANSI standard should not be used if the architectural design is an apartment-style or multifamily building. When measuring a condominium or co-op that is part of an apartment-style or multifamily building, Fannie Mae's policy of using interior perimeter measurements for the subject property should be applied.

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### **Q12. Is the ANSI standard required for 2- to 4-unit dwellings?**

No. The ANSI standard does not apply to 2- to 4-unit dwellings.

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### **Q13. Is the ANSI standard required for outbuildings?**

No. The ANSI standard is not required for outbuildings. A separate software-generated footprint sketch that includes exterior wall dimensions must be provided for each additional structure with room labels, if applicable.

Note: The ANSI standard must be followed for all accessory dwelling units.

### **Q14. The ANSI standard requires any area that is partially or wholly below grade to be counted as basement; what defines 'partially' below grade?**

A floor level is partially or wholly below grade if *any portion* of its walls is not entirely at or above ground level.

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### **Q15. Will appraiser adherence to the ANSI standard cause confusion when the subject GLA differs from other sources such as MLS or public record?**

GLA from appraisal reports is already often different from other sources. It is common practice to treat some finished areas separately from GLA due to low ceilings, inferior quality, below grade walls, or separation from the main living area. Many factors such as variability in definitions, methodologies, or precision of execution can exacerbate differences.

The benefit of adherence to the ANSI standard is that it enables appraisers to explain how the GLA is derived in consistent, professional terms. This will result in more clarity for consumers of appraisal reports. It will also enable lenders, real estate agents, and other participants in the transaction to better anticipate appraisal outcomes, which can help reduce loan closing issues.

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### **Q16. How should appraisers account for rooms located in above-grade finished areas that do not qualify as GLA under the ANSI standard?**

While the ANSI standard is not definitive on this point, appraisers should include rooms located in above-grade finished non-GLA areas in the room counts (Total Rooms, Bedrooms, Bath(s)) in the Improvement section and in the Sales Comparison Approach grid of the appraisal report to comply with Uniform Appraisal Dataset requirements.

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### **Q17. When the ANSI standard excludes finished areas, resulting in a smaller GLA, does this adversely affect the value of the property?**

No. The ANSI standard defines a transparent, professional approach to describing the subject, which gives appraisers a consistent starting point for the valuation analysis, but it says nothing about how appraisers conduct that analysis. Done correctly, adherence to the ANSI standard does not change the value of the property.

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### **Q18. The GLA of comparables available to appraisers may not be based on the ANSI standard. How should appraisers manage this issue?**

GLA found in local MLS systems and assessor records may not be ANSI standard compliant. The appraiser may not know what methods real estate agents or assessors use to ascertain GLA. Appraisers already deal with this uncertainty routinely, regardless of what GLA method the appraiser uses for the subject property. Through research and knowledge of the local market, appraisers determine if the GLA of the comparable should be adjusted relative to the subject. Appraisers will continue to perform this analysis like they have always needed to do.

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### **Q19. How should appraisers value finished areas that the ANSI standard does not include in GLA, such as where the ceiling height is less than 7 feet?**

The *Selling Guide* offers some guidance on this topic. When the subject property has an area that does not meet the ANSI minimum ceiling height requirements, the additional square footage must be reported on a separate line in the adjustment grid and a market adjustment applied, if warranted. Similarly, we require the appraisal report to account for all other square footage that is not included in the GLA.

Our longstanding policy on adjustment rates has not changed – we require appraisal adjustments to reflect market reaction. This is explained in the Analysis of Adjustments section of [Selling Guide B4-1.3-09, Adjustments to Comparable Sales](#): “The expectation is for the appraiser to analyze the market for competitive properties and provide appropriate market-based adjustments...” It is up to the appraiser to determine the market reaction for non-GLA areas, which may be greater than, less than, or equal to that of the GLA.

Reminder: Fannie Mae does not have restrictions on gross, net, or line-item adjustments.