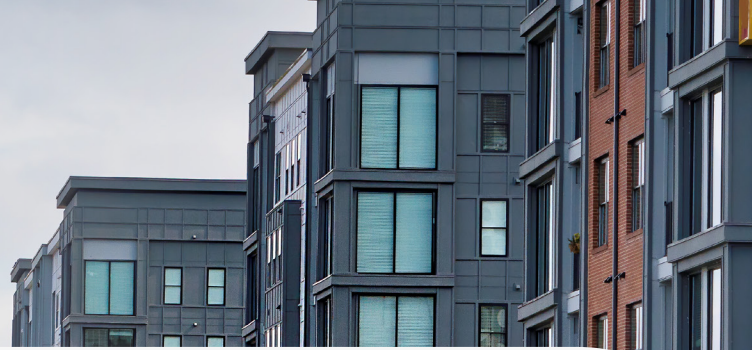


# Standardized Property Measuring Guidelines



## Updated guidance including some new and substantively revised FAQs

Appraisers are now required to use the Square Footage-Method for Calculating: ANSI® Z765-2021 (American National Standards Institute®) measuring standard for measuring, calculating, and reporting above and below grade square footage(s) to determine 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.

All footprint sketches and floor plans must be computer-generated (not hand-drawn), indicate all the dimensions needed to calculate the above/below grade and finished/unfinished square footage of each level and other areas such as a garage, and show the calculations to demonstrate how the square footage was derived.

### Why the change?

Valuations of residential property correlate strongly with GLA, yet historically there has been 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 considerations for appraisers when using the ANSI standard:

- Measurements are taken and reported on the sketch or floor plan to the nearest inch or tenth of a foot, and the final square footage calculations are reported to the nearest whole square foot.
- Staircases are included in the square footage of the floor from which they descend.
- Any space that is partially or completely below grade is required by Fannie Mae to be reported as basement area.
- The standard does not allow openings to the floor below, e.g., two-story foyers, to be included in the reported square footage.
- All finished areas included in GLA 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 or below-grade areas, in conformance with the standard, the appraiser must put this area on a separate line in the Sales Comparison Grid with the appropriate market adjustment.

### What if comparable sales are measured differently?

GLA for properties in local MLS systems and assessor records may not have been derived using the ANSI standard for measuring and calculating square footage. The appraiser may not know what method was used to calculate the GLA shown in an MLS listing or in tax assessor data. 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 using 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 and 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).

### Where can I learn more?

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.

Several appraiser education institutions offer continuing education courses about the standard.

# 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 historically there has been 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 is the recent emergence of new technologies, such as phone apps, which can measure houses, generate floor plans, and calculate GLA. In addition, the desktop appraisal option 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 standard since it first launched in April 1996. Some states require appraisers to adhere to it, and it is used by some tax assessors. It closely parallels common appraiser practices, so adoption for many appraisers has been seamless.

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### Q3. Do 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. The standard mentions a “statement of finished sq ft”; does Fannie Mae require appraisal reports to make an affirmative statement that the standard was followed?

No. Fannie Mae does not require an affirmative statement that the standard was followed. The statement of finished square footage consists of above- and below-grade areas of the house reported to the nearest whole square foot.

# Guidelines for measuring Gross Living Area

## Frequently Asked Questions

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### **Q7. The standard describes three scenarios in which a “declaration” is required. What is the difference between the statement of finished sq ft and the declarations?**

The statement of square footage is the output produced by following the standard (see Q6). The declarations are not the result of following the standard, but rather are explanations of limitations in following the standard for certain exceptional scenarios. The scenarios requiring declarations are exterior-only appraisals, proposed or under-construction appraisals relying on plans rather than physical measurements, or situations where it is physically impossible to measure the home due to factors such as steep terrain. We currently do not allow exterior-only appraisals, so that declaration will not be needed. The second scenario does apply to proposed/under construction appraisals. For the last scenario, the appraiser may need to use the opt out code “GXX001-”.

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### **Q8. How can lenders validate that appraisers used the ANSI standard?**

First, lenders should include a reminder to follow the standard in their assignment engagement letter or instructions to appraisers. 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 standard and adopt underwriting and quality control procedures to ensure that appraisal data, including GLA, is accurately reported.

Lenders should verify that the sketch or floor plan exhibit in the appraisal report is consistent with the standard. For example, does it contain exterior dimensions measured to the nearest inch or tenth of a foot? Does it show the required calculations? The lender should also cross-check the sketch or floor plan against the photo exhibits. For example, does it separate out unfinished areas, below-grade areas, and areas that do not meet ceiling height requirements? Do the contours of the walls match the visual evidence in the photos?

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### **Q9. What should the appraiser do if compliance with the ANSI standard is not possible?**

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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### **Q10. When completing an appraisal using plans and specifications to determine square footage(s), should the exception code “GXX001-“ be used?**

No, the ANSI standard has an example declaration statement for this scenario in Section 4, Statement of Finished Square Footage, under “4.5, Plans-Based Method.” When completing this type of appraisal, the declaration should be inserted into the Additional Features field of the appraisal report. The plans should be evaluated, and the resulting square footages reported, based on the ANSI standard.

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### **Q11. Can appraisers use the exception code to voluntarily opt out of compliance with the ANSI standard?**

No.

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### **Q12. 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 Q9.

# Guidelines for measuring Gross Living Area

## Frequently Asked Questions

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### **Q13. Is the ANSI standard required for desktop appraisals?**

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

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### **Q14. Does Fannie Mae require condominiums to be measured per the ANSI standard?**

The 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.

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.

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### **Q15. Is the ANSI standard required for 2- to 4-unit dwellings?**

No. The ANSI standard is not required for 2- to 4-unit dwellings.

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### **Q16. Is the ANSI standard required for manufactured housing?**

Yes. The ANSI standard applies to all detached single-family homes, including manufactured housing.

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### **Q17. Is the ANSI standard required for outbuildings?**

No. The standard is not generally 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.

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### **Q18. Fannie Mae 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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### **Q19. 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 standard is that it enables appraisers to explain how above- and below-grade areas are 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.

# Guidelines for measuring Gross Living Area

## Frequently Asked Questions

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### **Q20. 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 have been derived using the ANSI standard for measuring and calculating square footage. The appraiser may not know what methods real estate agents or assessors use to ascertain GLA. Appraisers already routinely deal with this uncertainty, regardless of what measuring, calculating, and reporting 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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### **Q21. How should appraisers account for rooms located in above-grade finished areas that do not meet ANSI standard minimums?**

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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### **Q22. When the ANSI standard excludes finished areas, resulting in a smaller GLA, does this adversely affect the value of the property?**

No. The 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 standard does not change the value of the property.

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### **Q23. How should appraisers value finished areas that do not meet the ANSI standard ceiling height requirements for finished square footage?**

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.