



Understanding ANSI Measurement Standards in Residential Transactions with Fannie Mae Loans

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The measurements used when calculating the square footage of properties may be different because of how the measurements are done, the formulas used and which areas are and are not included. Real estate professionals are familiar with these possible discrepancies because they see the offer provision in daily practice. That provision states:

PROPERTY DIMENSIONS AND SURVEYS

Buyer acknowledges that any land, building or room dimensions, or total acreage or building square footage figures, provided to Buyer by Seller or by a Firm or its agents, may be approximate because of rounding, formulas used or other reasons, unless verified by survey or other means.

CAUTION: Buyer should verify total square footage formula, total square footage/acreage figures, and land, building or room dimensions, if material.

Different standards, including different starting and end points for measurements, may be used, and this can result in inconsistencies and confusion. For instance, measurements may be made from the living side of the exterior wall, the exterior surface of the wall or the

foundation wall. Certain areas are sometimes excluded when calculating square footage. Stairs may be confusing because it is not always clear whether they should be counted as part of the upper floor, the main floor or the basement.

Basements are another source of inconsistency. Square footage often excludes areas below grade such as basements, but that is not always the case depending on the methods and purpose for the calculation. The square footage an insurance agent is looking for may be quite different than what is needed by an appraiser working for a lender.

What are some of the issues that appraisers face?

Tax assessors, appraisers and municipalities may use varying methodologies. In the sales comparison approach, if the appraiser uses incorrect square footage from the tax assessment records, the local assessor or elsewhere for the subject property and three comparables, then their appraisal will be off. Potential errors are piled on top of errors. The extent of the error diminishes if the subject property is accurately measured and further reduced if one or more of the comparables were accurately measured. Incorrect square footage will also distort the appraised value for an appraiser using the cost approach.

Basic principles typically used by appraisers for computing square footage

- Measurements of each level should be made to the exterior finished surface of the outside walls.
- Areas protruding from a finished area may be included as finished, provided they have a floor on the same level as the rest of the living area and meet ceiling height requirements. For example, a fireplace would not be included but a bay window could be.
- Grade is ground level at the exterior of the residence. For any level of a house to be considered above grade, the entire level must be above ground level. Likewise, if any portion of an area is below ground level, then the entire level is considered below grade.
- "Finished" is defined as "an enclosed area in a house that is suitable for year-round use, embodying walls, floors and ceilings that are similar to the rest of the house."
- Gross living area (GLA) generally refers to the finished livable space above ground in a residential property. GLA is not the same as total living area. Total living area typically includes any finished basement space or possibly an accessory dwelling unit.

What is ANSI?

Fannie Mae has adopted the Square Footage-Method for Calculating: ANSI Z765-2021 (American National Standards Institute) Measuring Standard (ANSI) for measuring, calculating and reporting the GLA and non-GLA areas of residential properties for appraisals requiring interior and exterior inspections beginning April 1, 2022. This was done to establish uniformity in measuring, calculating and reporting square footage (area) measurements of dwellings in the United States. Valuations of residential properties correlate strongly with square footage measurements. Therefore, adoption of ANSI is intended to ensure all spaces within appraised homes are measured the same way. It is expected that the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Housing Administration (FHA), the Veteran's Administration (VA) and the United States Department of Agriculture (USDA) Rural Development will adopt the same requirement.

Which properties does ANSI apply to?

- ANSI is intended for use in calculating square footage in detached and attached single-family residences. This includes single-family houses, townhouses, rowhouses and other side-by-side houses, and accessory dwelling units.
- The ANSI standard should not be used as a means of measurement for commercial buildings or multifamily apartment buildings. The ANSI standard does not apply to two- to four-unit dwellings and is not required for outbuildings.

What are some of the standards applied under ANSI?

- 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.
- All footprint sketches and floor plans must be computer-generated and cannot be hand-drawn.
- A basement is any space that is partially or completely 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.
- Finished areas must have a ceiling height of at least 7 feet. 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 feet, and no portion of the finished area that has a ceiling height of less than 5 feet can be included in the GLA.
- If a house has a finished area that does not have a ceiling height of 7 feet for 50% of the finished area — which can be the case in some properties with cape cod layouts — in conformance with ANSI, the appraiser may put this area on a separate line in the Sales Comparison Grid with the appropriate market adjustment to acknowledge the contributing value of the non-GLA square footage. Fannie Mae requires the appraisal report to account for all square footage not included in the GLA.
- Staircases are included in the GLA of the floor from which they descend.
- Fannie Mae indicates appraisers should include rooms located in above-grade finished non-GLA areas in the room counts — for example, total rooms, bedrooms and bath(s) — in the appraisal report.

What are some of the consequences for residential transactions?

- When the ANSI standard excludes finished areas, resulting in a smaller GLA, this should not adversely affect the value of the property. Done correctly, adherence to the ANSI standard does not change the value of the property.
- ANSI standards may result in square footage, dimensions or GLAs that may not match what is found in the local property tax or assessment records.
- Spaces not included in the GLA would continue to be legal if they meet applicable building codes and can continue to be used as intended, for example, a second-story bedroom with a sloping ceiling.

What can licensees do to help eliminate confusion?

- Challenge an appraisal if it is significantly lower than expected. See the Fannie Mae ANSI resources at singlefamily.fanniemae.com/media/30266/display (<https://singlefamily.fanniemae.com/media/30266/display>).
- Cite the source of any square footage numbers or the number of rooms like bedrooms represented: seller, assessor, property tax records, municipal staff or builder, for example.

Resources

- Fannie Mae Standardized Property Measuring Guidelines: singlefamily.fanniemae.com/media/30266/display (<https://singlefamily.fanniemae.com/media/30266/display>)
- WorkingRE: Measuring Up: Understanding ANSI Standards: www.workingre.com/measuring-understanding-ansi-standards (<https://www.workingre.com/measuring-understanding-ansi-standards>)

Appraisal Basics

“Nuts and Bolts of Property Appraisal,” in the March 2015 *Wisconsin Real Estate Magazine*: www.wra.org/WREM/Mar15/NutsBolts (<https://www.wra.org/WREM/Mar15/NutsBolts>)

• “Professionalism in the Appraiser World” in the March 2013 *Wisconsin Real Estate Magazine*: www.wra.org/WREM/Mar13/AppraiserEthics (<https://www.wra.org/WREM/Mar13/AppraiserEthics>)



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