

# FANNIE MAE RESPONSE TO NAR

**March 7, 2022**

Dear Ms. Rouda Smith:

Thank you for your February 7 letter regarding our recent announcement that, for loans to be eligible for delivery to Fannie Mae, appraisers will be required to adopt a standard established by the American National Standards Institute® (ANSI® Z765-2021). This standard applies to measuring, calculating, and reporting gross living area (GLA) and non-gross living area (non-GLA) of subject properties. As you know, lenders may begin accepting appraisals using this standard immediately, but compliance for delivery to Fannie Mae is required for all applicable appraisals with an effective date on or after April 1, 2022.

Over the past two years, we have explored some of the major challenges the mortgage industry has been experiencing with appraisals. A common theme that repeatedly surfaced was the issue of measuring, calculating, and reporting GLA and non-GLA. We found there was a lot of confusion in the industry and with consumers around home measurement data, given that a national standard for calculating square footage was not in place. In response, we worked with our lender partners to find a responsible solution to address this issue and examined several solutions. We ultimately decided to adopt ANSI® Z765-2021 as a uniform requirement.

ANSI is one of three nationally recognized standards for measuring residential single-family houses. It was first published in 1996, with 26 organizations involved in its creation including Fannie Mae and the National Association of Realtors. It is the most widely used home measurement standard in the United States and is already required in several state and local jurisdictions. Adopting this well-established standard will lead to more accurate and consistent valuations, help the industry better manage risk, and enhance consumer confidence in the appraisal process.

The following addresses the inquiries raised by your members regarding the impact that the change will have on certain measurements for appraisals. Please know that the use of the ANSI standard should not impact the appraised value of the subject property; however, adopting the standards could change the way finished areas are reported in the appraisal depending on the style of the house. To address this potential change, we have included instructions in the Gross Living Area section of our Selling Guide (B4-1.3-05, Improvements Section of the Appraisal Report), on how this should be managed.

- **Staircases:** Pertaining to the issue raised about the measurement of staircases, ANSI always includes staircases. It simply defines which level to count the staircase towards in the home. Utilizing ANSI versus an alternative method that excludes the staircase would be a net positive gain of area. This is not only more accurate, but also beneficial to consumers.
- **Sloped Ceilings and Basements:** The measurement of below grade areas and sloped ceilings have long been an issue for appraisers, as it is common practice to treat some finished areas (low

ceilings, below grade, sunrooms, etc.) separately from GLA. Fannie Mae and other secondary market entities already require appraisers to show below grade areas as basements, so the ANSI requirement aligns with our existing Selling Guide requirement and with common practice. As it relates to sloped ceilings, most appraisers already exclude low ceilings from GLA, but they may do it in nontransparent or inconsistent ways. 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.

- **Comparable Properties:** Appraisers have always had to reconcile the GLA found in the local MLS and in tax assessor records against their own methodologies for determining subject GLA. GLA found in local MLS systems, assessor records, and other third-party systems may not be ANSI compliant or adhere to any consistent methodology, and the appraiser may not know what GLA method the listing agent or assessor used to ascertain the GLA. The appraiser's research and knowledge of the local market enables them to determine if the GLA provided through these sources should be adjusted when comparing to the subject property. Appraisers will continue to perform the same analysis after adoption of the ANSI standard.
- **Condominiums:** The ANSI GLA standard does not apply to apartment-style property types. Fannie Mae's existing Selling Guide policy of using interior perimeter measurements for the condominium subject property will continue to apply to apartment-style condominiums.
- **1004 Appraisal Form:** Appraisal forms are a template for reporting what the appraiser has done, but they do not define what the appraiser must do or how to do it. The current forms are sufficient to accommodate reporting of ANSI-compliant appraisals as evidenced by their use by the many appraisers who already follow the ANSI GLA standard.

As part of our announcement, we allotted three and half months for appraisers and lenders to familiarize themselves with the ANSI standard. Many appraisers already voluntarily follow the ANSI standard or, again, are required to follow it by state or local regulation, and it is similar to common practice in the profession. While we expect that the adoption of the standard to be seamless for most appraisers, we have a number of training and educational resources available for the industry on our website at [www.FannieMae.com/appraisers](http://www.FannieMae.com/appraisers).

Please know that as with any Fannie Mae guideline, we will monitor and analyze this change through the adoption life cycle and are always available to answer additional questions your members may have as they familiarize themselves with the ANSI standard. Thank you again for your letter and please feel free to contact me with additional concerns.

Sincerely,  
Hugh R. Frater  
Chief Executive Officer