

February 7, 2022

Hugh Frater
CEO, Fannie Mae
Midtown Center
1100 15th Street NW
Washington, DC 20005

Dear Mr. Frater:

On behalf of the 1.5 million members of the National Association of REALTORS® (NAR)¹, I write in response to Fannie Mae's recent announcement that appraisers will be required to use ANSI® Z765-2021 (American National Standards Institute®) for measuring, calculating, and reporting above-grade and below-grade square footage for appraisals requiring interior and exterior inspections with an effective date of April 1, 2022. NAR requests that Fannie Mae delay implementation of this new requirement until Freddie Mac, FHA, VA and USDA adopt the same requirement to reduce confusion. Real Estate professionals and appraisers also need more time to become familiar with how the standard is applied.

Different Rules by Secondary Market Participants Cause Confusion

NAR urges Fannie Mae to coordinate with all secondary market participants to implement any changes to appraisal measurement requirements. The adoption of the ANSI standard by just Fannie Mae will result in confusion in the real estate market. For example, for conventional loans, appraisal management companies and lenders do not know which GSE a loan is being sold to before the appraisal is assigned. So, it would be impossible for an appraiser know if conformance with ANSI standards is required.

More Time Needed for ANSI Education

NAR is committed to sharing information with the real estate community about the new ANSI measurement requirement, but this will take time. Currently, there is no definitive source for square footage nationwide. Tax assessors, appraisers and real estate agents are not required to conform to any law or regulation for measuring square footage. Given this is such a significant change, the implementation date should be pushed back for the myriad professionals engaged in real estate transactions to learn and adjust to the measurement standard. There should also be a grace period during which real estate agents and appraisers provide feedback to the GSEs to work through any issues that could arise from the new measurement requirement. We have received numerous questions about impact on measurements

¹ The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

for appraisals and any resulting changes to housing values, especially for older homes. Here are a few examples:

- In areas where alternative standards are used that deduct the staircase from the upper-level living area, the difference in measurement could be in the range of 50 SF. Measuring to the nearest inch should be good in concept, but is not practical in many cases due to obstructions and other design elements making it difficult to locate the outside of the foundation wall. Having allowances for minor rounding seems prudent. Most homes are measured to the outside wall, but if precisely applied it is to be to the outside stud or outside foundation for a full brick veneer.
- The areas that will cause the largest problem are those classified as "basements." If any portion of the space is below grade it is to be classified as a basement (with some exceptions). In some areas, there are developments with homes that have low profile berms along a section of the house, which, in the strictest, sense makes the property a basement home. However, no market participants see it that way.
- Home designs with sloping ceilings on second and higher floors are common in many parts of the country. This is true for new and existing homes, but particularly true for older housing stock. Often the slope is utilized as a closet, which may or may not have a conforming ceiling height. Sales activity has demonstrated market acceptance for decades. Adoption of a standard the market does not recognize will do nothing to produce more credible appraisal results. Additionally, many homeowners may feel cheated when their residence is now described as many square feet smaller than they bargained for, and much smaller than described in the appraisal when the house was purchased. Similarly, homes where the second-floor ceiling is not more than 7' in height is not to be included in the room count and above-grade GLA totals according to ANSI standards. Many older homes have this issue, such as some Cape Cod style homes.
- How will use of the ANSI standard impact review of comparable properties? What if properties in local MLS systems and assessor records are not ANSI-compliant? The appraiser may not know what method an MLS listing or assessor used to calculate the GLA.
- ANSI measurement standards do not apply to condominiums. To date, Fannie Mae has not issued any guidance for condominiums, and yet on April 1, appraisers must conform to the standard. This is insufficient time to allow for appraisers to learn the requirements.
- The 1004 Appraisal form is being retired as part of the UAD and Forms Redesign project. It would be beneficial to delay implementation of any measurement standard until the forms are redesigned and the new language can be included on the forms.

It is understandable that adoption of common standards can often result in clearer and more efficient processes. However, there is a concern that eliminating the ability of highly trained and experienced professional appraisers from having the freedom to decide on appropriate methods and practices, poses its own risks and limitations. Currently, the GSEs and others rely heavily on a single approach to value when other approaches and indicators are available and that appraisers are trained to utilize. The result has been some criticism on value outcomes that lack thorough development in favor of quicker and less costly reporting. NAR supports any methodology that will result in the most accurate and reliable appraisal results that increases the confidence

of the users of appraisals and thus, the housing market as a whole. In order for ANSI to be a reliable measurement standard, it is essential that this standard be adopted by all of secondary market participants (VA, FHA, USDA and Freddie Mac) to avoid confusion for real estate professionals, buyers, sellers and consumers.

Sincerely,

A handwritten signature in cursive script that reads "Leslie Rouda Smith". The signature is written in a dark brown or black ink on a white background.

Leslie Rouda Smith

President, National Association of REALTORS®

CC: Sandra L. Thompson
FHFA Acting Director