**[NCREC Residential Square Footage Guidelines vs. ANSI Standard](https://bulletins.ncrec.gov/ncrec-residential-square-footage-guidelines-vs-ansi-standard/)**

  [April 2022 eBulletin](https://bulletins.ncrec.gov/tag/april-2022-ebulletin/)

When a real estate broker wishes to include the heated living area (“HLA”) (aka heated square footage) in any form of advertising, the broker must first verify the accuracy of the HLA by measuring and calculating the HLA or by hiring a qualified professional (preferably an experienced broker or licensed appraiser) to do so. Brokers are **not** permitted to rely upon the following sources for HLA: a seller’s representation, an appraisal prepared prior to the listing, a previous MLS listing, tax records, or a set of blue prints if the construction of the house has been completed. If a broker is unable or unwilling to verify the accuracy of the HLA, then the broker should refrain from including an HLA figure in any form of advertising as doing so may constitute false advertising and/or a misrepresentation of material fact.

The Commission does not specifically dictate which method a broker must use to determine the HLA. A broker may use the Commission’s Residential Square Footage Guidelines (“RSFG”) (aka “the yellow book”) or the American National Standards Institute (“ANSI”) standard or any other recognized professional standard.

#### What is the difference between the Commission’s Residential Square Footage Guidelines and the ANSI standard? The chart that follows this article shows a general comparison of some, but not all, of the components of the two. The chart is for comparison purposes only and is not a how-to gui[**NCREC Residential Square Footage Guidelines vs. ANSI Standard**](https://bulletins.ncrec.gov/ncrec-residential-square-footage-guidelines-vs-ansi-standard/)

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There are two primary differences between the Commission’s Guidelines and the ANSI standard. First, the end users of the square footage data produced using the Commission’s Guidelines are residential buyers and sellers who want to know the total amount of HLA in the homes they want to buy or sell, respectively. The end users of the data produced by the ANSI standard are lenders, Fannie Mae, Freddie Mac, USDA, and the Veterans Administration who want to determine the value of the homes as collateral for the loans being requested by prospective buyers.

The second primary difference between the two methods is that the Commission’s Guidelines allow for the combination of all HLA in a home. The ANSI standard requires users to separately identify the Gross Living Area (“GLA”) as either “above-grade” or “below-grade.” When any exterior wall has soil against it, the ANSI standard requires its users to designate that entire floor as “below-grade.

Is there any reason for a broker to be familiar with both the Commission’s Square Footage Guidelines and the ANSI standard? Yes! Here are three common scenarios illustrating the need for a broker to be familiar with both methods.

1. A broker who is also licensed as an appraiser should know how to use both methods and when to use each one. Effective April 1, appraisers are required to use the ANSI standard for loans sold to Fannie Mae.
2. A listing agent who hires a professional to determine the HLA of a new listing should know and understand the method that will be used to determine the HLA. Additionally, the listing agent should review the completed work to verify that the HLA calculation includes only areas that qualify as HLA or GLA according to the method used.
3. A broker who encounters different representations of the square footage of a property should understand the differences that can result depending upon the method used. For example, suppose that a buyer agent represents a buyer whose lender orders an appraisal that indicates 2,400 square feet of GLA “above-grade.” The listing agent for this property advertised 3,000 square feet of HLA in the MLS. The buyer gets upset, believing that the listing agent overstated the HLA. The buyer agent should be familiar enough with the ANSI standard to check the appraisal report to see if it contains an additional 600 square feet of GLA designated as “below-grade” to account for the 600 square foot difference. If the appraisal indicates 600 square feet of GLA “below-grade,” then the calculations of both the listing agent and the appraiser are likely correct. If the appraisal report does not show 600 square feet of GLA “below-grade,” then all interested persons need to determine the correct HLA or GLA and proceed accordingly.

Remember, HLA is a material fact, because it is an important factor used by sellers, buyers and others in making decisions. It is therefore imperative that brokers exercise skill, care and diligence in providing accurate HLA information so that consumers can make informed decisions. Knowing and properly using the methods referenced in this article will help protect brokers and their clients and customers.

| **NCREC Residential Square Footage Guidelines** | **ANSI Z765-2021** |
| --- | --- |
| End Users: Prospective buyers and sellers | Lenders, Fannie Mae, Freddie Mac, VA, USDA |
| Cost: Free | ANSI membership fee, license, etc. |
| Recommended guide for brokers | Appraisers must use the ANSI standard for all loans sold to Fannie Mae (effective 4/1/22) |
| Heated Living Area: includes areas which are heated, finished, and directly accessible to main living area. | Gross Living Area: Same |
| Areas that qualify as heated living areas may be combined and reported together as total heated living area regardless of whether they are above-grade or below-grade. | Above-grade and below-grade areas must be reported separately. |
| Ceiling height: if at least 50% of room has a ceiling height of 7 ft. or more, then any floor space with a height of 5 ft. or more is included. | Same |
| Measure exterior walls from outside. When measuring from inside, add 6″ for each exterior wall.   | Same for single-family attached and detached.       Dimensions acquired in any manner other than by direct, exterior measurement must be explained. |
| For condos, measure from inside. Do not add thickness of walls. | ANSI is not intended for use with condos or other multi-family dwellings. |
| A finished area connected to living area via a heated, finished hallway or stairway is included. | Same |
| Unfinished areas, garages, chimneys(outside foot print of house) are not included | Same, except that unfinished areas must be distinguished as above-grade or below-grade. |
| Openings to the floor below not included. If an opening for stairs is larger than the width of the stairs, a deduction for the excess width is required. | Same |
| Make a sketch of building exterior with dimensions for all exterior walls. Identify all unfinished areas inside the dwelling. | Sketch must be computer-generated. Appraiser must disclose if he/she did not view interior. Square footage determined from building plans for a proposed house must be disclosed. |
| Recommend showing calculations. | Must show calculations. |
| Differences in the square footage of individual spaces based upon a broker’s thoughtful judgement when properly using this method will not necessarily constitute an error. | If appraiser can’t adhere to ANSI Z765-2021, he/she must insert Code “GXX001” in Additional Features field and explain reason(s) for non-compliance. |
|   | Annex: (informative, but not enforced) Finished floors include concrete with “decorative finishes,” but not bare concrete. |

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