

Fannie Mae Requires Appraisers to Use a Measuring Standard We Don't Use

How we measure the gross living area of a home is important, but there is little consistency. Different websites may use different numbers for the same home, primarily because they tend to have only one field for square footage.

Below, I'll write about Fannie Mae's new rules for measuring homes, but it's up to each real estate website operator which number it uses for square footage. For example, the web page that we create for each Golden Real Estate listing has only one square footage field, so I choose to display finished square footage. The MLS has fields to distinguish between finished, unfinished, basement, above-grade, and total square feet, but I haven't found any consumer website that displays them all.

Zillow is an example of a website which features only the total square footage in each listing, even if half that area is unfinished basement space. It doesn't show the breakdown of finished vs. unfinished space or basement vs. above-grade space unless you click on a link titled "See more facts and features."

Trulia, which is owned by Zillow, has a link "See all" which lists "finished area" if you scroll down far enough, but that's all. I find this ironic, because both Trulia and Zillow provide a ton of information not found on the MLS, yet they downplay or omit the most important detail of all — the breakdown of square footage.

Redfin, which gets the full feed from our MLS, also features only the total square feet and has no link that I could find which displays a

breakdown. And, like both Trulia and Zillow, Redfin prominently features "price per square foot," but that figure is based on the total square feet, which can be really misleading.

Golden Real Estate's website, like those three, gets its active listings from the MLS, but our display is *managed* by the MLS, and all listings on our website use the finished square footage number, which is, I believe, the most useful single number to use. But, once again, there's only one field for displaying square footage.

The MLS has its own consumer-facing website, **REcolorado.com**, where you can search for listings. On that site, the total square footage is featured, but scroll down and you see the following breakdown:

On other websites, you'd only see 3,166 square feet and \$271/sq. ft. for the listing in this example.

The numbers displayed on the MLS are entered by the listing agent. Our sole obligation in providing them is to indicate the source. It could be from public records, or it could be from a prior appraisal. We could also measure it ourselves, but that is really unlikely. The only requirement is that we disclose the source. The safest choice is public records, but those numbers could be wrong.

Lenders, of course, want to know that the square footage is accurate and consistent, so recently Fannie

Mae mandated that all appraisers follow the ANSI (American National Standards Institute) standard, which can result in appraisals which come up with different numbers than in the MLS listing on which the buyer relied.

The ANSI standards don't allow for space with ceiling heights under 7' to be included in the gross living area, and the square footage of staircases can only be counted on the

level from which the staircase descends. Also, if even part of a level is below grade, the entire level has to be counted as "basement," which conflicts with MLS rules which say the lower level of a bi-level or tri-level home (which is at least partially below grade) can be counted as above-grade square footage.

Complicating matters, appraisers must rely on MLS measurements for the comps they cite in an appraisal.

REAL ESTATE TODAY



By JIM SMITH Realtor®

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| | SqFt | 3,166 |
| Living Area, Finished | | 3,006 |
| Above grade, Finished | | 2,006 |
| Basement, Finished | | 1,000 |
| Basement, Unfinished | | 160 |
| PSF Total | | \$271 |
| PSF Finished | | \$285.43 |
| PSF Above Grade | | \$427.72 |

How Many Square Feet Is Your Home? That Depends...

There are three different square footage numbers for every MLS listing, and which of those figures is advertised on other websites can confuse buyers. So, here is a quick tutorial of REcolorado's rules for measuring square footage.

Above-Grade square footage used to be called "Main" square footage or simply "square footage" without any modifier. As the new name suggests, it does not include basement square footage. But that begs the question, "what is a basement?"

In a split-level home, the lower level, which is often below grade, is included in the "above-grade" square footage, since there is frequently a basement below that level. In a "raised ranch" home, the

lower level is included in "above-grade" square footage for the same reason. (A "raised ranch" is defined as a home where you have to climb a flight of stairs to get to the "main" level. The "main" level is defined as the level containing the kitchen.)

Finished square footage includes all the finished square feet, including in a basement. If the basement is unfinished (or there is no basement), this number will be the same as the "Above Grade" number.

Total square footage is what the name suggests, whether finished or unfinished.

All three of these numbers will be different when a listing has a partially finished basement.

Real Estate Market Is Showing Signs of Revival

Here at Golden Real Estate, we have some anecdotal evidence of a resurgence in the real estate market, which was moribund in December.

On Saturday, Jan. 7th, I held a 2-hour open house at my listing on Bates Avenue. My previous open house at that listing had drawn not a single visitor, so I was quite surprised to have 10 sets of visitors that day. All of them were actual buyers, not lookie-loos.

I immediately decided to hold it open the following day, Jan. 8th, and once again it was my most visited open house in recent memory.

I had four prospective buyers from those open houses and this Monday that home went under contract.

A second example of this resurgence came when a broker associate listed a 1960 brick ranch with walk-out basement in south Golden/Pleasantview. (It was featured in last week's ad.) It drew 22 agent showings on the first three days, and it went under contract on Sunday at full price — \$798,000, which I frankly thought was a reach.

Although anecdotal, these experiences give me hope for 2023.

For Sale: Our Prior Office on S. Golden Rd.



The original office of Golden Real Estate and currently vacant, this unique 1,318-square-foot office building at **17695 S. Golden Road** (originally a restaurant) is powered by 20 kilowatts of solar panels, which more than meet the energy needs of the building in addition to charging up to three electric vehicles at three Level 2 charging stations. The monthly bill from Xcel Energy is only \$12.56. There is no natural gas service, because the building is heated and cooled by a state-of-the-art heat pump/mini-split system powered by those solar panels. This is a true "net zero energy" building and was planned to be "The Net Zero Store," but we decided to stick to real estate and sell the building. For a showing, call Jim Smith at **303-525-1851**. You can take a narrated video tour and view interior and exterior photos at www.SouthGoldenBuilding.online.



See all our Active & Pending listings at www.GREListings.com

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