

Frequently Asked Appraisal Questions For Appraisers

Appraiser

FHA Roster:

1. How can I become registered on the FHA Appraisal Roster?

To become eligible to perform appraisals acceptable for underwriting FHA insured loans, you must possess a current license/certification with credentials based on the minimum licensing/certification criteria by the Appraiser Qualifications Board (AQB) of the Appraisal foundation for each state in which you desire to perform FHA appraisals and pass the national FHA Appraisal Exam. For more detailed information, please review [ML 03-09](#) . Please **note that applications received without passing exam results will be rejected.**

Registration procedures for appraisers who are not currently on the FHA Roster are as follows:

1. Submit proof of a valid state appraiser's license or certification with credentials based on the minimum criteria issued by the AQB for each state in which you desire to perform FHA appraisals
2. Pass the FHA Appraiser Exam and retain exam results
3. Complete the Register Designation Application ([Form HUD-92563](#)) including references for line 18
4. Not be listed on the General Services Administration's Suspension and Debarment List, HUD's Limited Denial of Participation (LDP) List, or HUD's Credit Alert Interactive Voice Response System (CAVIRS)
5. Submit copy of license(s)/certification(s), exam results, and Register Designation Application with original signature to HUD at:

U.S. Department of Housing and Urban Development
Office of Single Family Housing
451 7th Street, SW, Suite 9278
Attn: Appraisal Branch
Washington, DC 20410

Fax Number: (202) 401-0416

Telephone Number: (202) 708-2121

Note that all appraisers submitting application materials must send documents to HUD, and not their Homeownership Center.

2. How does an appraiser know that she/he is on the FHA Roster?

Appraisers can check the [FHA Roster](#) for their status and to make sure their information is correct. Appraisers will not receive a registration confirmation if approved. However, a denial letter will be sent from HUD to appraisers that are not approved. Appraisers

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noticing incorrect information should fax the corrected information to the (202) 401-0416.

3. What FHA Roster procedure should an appraiser follow if his/her license expires?

The appraiser must provide HUD with proof of renewed license(s)/certification(s). (See FHA Roster question 1 for address.) An expired license will cause the appraiser to be ineligible to perform FHA appraisals.

4. How do lenders and underwriters know whether an appraiser is eligible to perform FHA appraisals?

HUD will continue to maintain the FHA Roster and will approve only those appraisers who have passed the exam and met the eligibility requirements for placement on the Appraiser Roster. Lenders can ascertain an appraiser's roster status through FHA Connection or ECHO.

FHA Appraiser Exam:

1. How should an appraiser prepare for the FHA Appraiser Exam?

Reading the entire Handbook 4150.2, the Valuation Conditions (VC) Form and the Homebuyer Summary provide all information needed to prepare the appraiser for the FHA Appraiser Exam. In addition, [200 exam questions](#) are available to study in preparation for taking the exam. Familiarity with Uniform Standards of Professional Appraiser Practice (USPAP) is assumed due to regular licensing requirements.

2. Is there a list of approved training course providers for the FHA Appraiser Exam?

HUD does not approve or disapprove specific training courses. However, industry groups, professional societies and trade organizations are prepared to provide FHA Appraiser Exam training courses. Contact the local chapter of your professional organization, if you subscribe to one, or the national organizations of the Appraisal Sponsors. The American Society of Appraiser (ASA), Appraisal Institute (AI), National Association of Independent Fee Appraisers (NAIFA) and National Association of Master Appraisers (NAMA) are some of the industry groups offering FHA courses. All the groups have web-sites and the AI offers a course "on line"

3. Where do appraisers go to take the FHA Appraiser Exam?

Prometric administers the test for HUD through multiple testing centers in each state. Appraisers can view [testing center locations](#) . A complete list of locations can be obtained by calling Prometric at (800) 503-8991.

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4. How do appraisers register to take the FHA Appraiser Exam?

Prometric's policy states that appraisers can register with a credit card (American Express, MasterCard or Visa) to take the exam by calling Prometric at (800) 503-8991. Prometric also allows walk-ins based on space availability. The cost of the exam is \$75. Once registered, appraisers must cancel their testing appointments by 12:00 noon two days prior to the scheduled testing time to receive a full refund.

5. I am a handicapped appraiser and will need special accommodations to take the FHA exam. What do I need to do?

You will need to first contact Single Family Housing of HUD at (202) 708-2121. You will need to provide proof of handicap condition (e.g., doctor's letter), a description of the special accommodation needed for you to take the exam, and the test location. HUD will then review the request, and when approved, will provide you with a special telephone number at Prometric to schedule your exam.

6. What should appraisers bring with them to take the exam?

Prometric *requires* appraisers to bring two positive forms of identification, one bearing a photograph, both bearing signatures, for exam admittance. Examples of acceptable form of identification include: current driver's license, valid passport, military ID card and state identification card. Social Security cards are *not* considered acceptable forms of ID; however, credit cards are acceptable form of secondary identification. Note that you will be required to submit your Social Security Number on the exam. Please make sure you list it accurately.

7. What should appraisers do if the Official Score Report contains incorrect information?

The appraiser should copy the Official Score Report, circle the error(s) in RED, attach a note explaining that this is a correction (per the appraiser/applicant) and mail to:

U.S. Department of Housing and Urban Development
Office of Single Family Housing
451 7th Street, SW, Suite 9278
Attn: Appraisal Branch
Washington, DC 20410

8. How can an appraiser find out which components of the FHA Appraiser Exam showed his/her strengths and weaknesses?

The appraiser can only find out if she/he passed or failed the exam. Scores are not provided.

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9. How many times will an appraiser need to take the FHA Appraiser Exam to remain registered?

At this time, appraisers need only to pass the exam only once. However, there is not a limit to the number of times an appraiser may take the exam before passing it. Please note that after two failures, candidates are required to wait one month before registering again for the exam.

10. If an appraiser has questions concerning the FHA Appraiser Exam and/or registration process, what are his/her resources?

Resources for exam and/or registration are listed in the table below.

Information/Service	Resource
Test Center Locations	<ul style="list-style-type: none"> • Quick List* • Prometric at (800) 503-8991
FHA Appraiser Exam Registration	<ul style="list-style-type: none"> • Prometric at (800) 503-8991
FHA Appraiser Exam Preparation	<ul style="list-style-type: none"> • Handbook 4150.2* • VC Form* • Homebuyer Summary • 200 exam questions* • FHA Appraiser Exam Fact Sheet*
FHA Registration	<ul style="list-style-type: none"> • Form HUD-92563* • <u>FHA Roster</u>
General	<p>Homeownership Centers</p> <ul style="list-style-type: none"> • Philadelphia HOC (800) 440-8647 • Atlanta HOC (888) 696-4687 • Denver HOC (800) 543-9378 • Santa Ana HOC (888) 827-5605

A copy of all resources marked with an “*” can be obtained through the Office of Single Family, [FHA Appraisers Policy Documents](#) .

Handbook 4150.2, “Valuation Analysis for Home Mortgage Insurance”:

1. Is the Valuation Conditions Form required for existing properties (over one year old)?

Yes. The Valuation Conditions (VC) form is also required for existing properties less than one year old. The form is not required for proposed construction or for properties under construction.

2. Is the VC Form required in appraisals for refinancing?

Yes.

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3. Is a VC Form required for a 203(k) case?

The VC Form is not required on a 203(k) case. However, if the appraiser identifies repair conditions that were not noted in the plan review for the 203(k) loan, the appraiser should notify the lender.

4. Why is there a “no” response available in sections VC-2 through VC-13, but not in VC-1?

“Yes” to any VC-1 item may make the property ineligible for FHA financing as the condition cannot be remedied. “Yes” to VC-2 through VC-13 can usually be remedied.

5. Please define “Readily Observable”.

“Readily observable” is defined as observations made by the appraiser of conditions that are immediately discernable and noticeable during the typical site visit. The appraiser is not required to move furniture, equipment or cause damage to the property.

6. What is a representative sample?

For multiple identical components such as windows and electrical outlets, a representative sample is one such component per room. For multiple identical exterior components, a representative sample is one such component on each side of the building.

7. Is the full assessed value required by Section A of the Addenda on Page D-34 of the Handbook to be “as repaired”.

No. This is the state’s or local jurisdiction’s full assessed value before applying any ratio or factor to arrive at property taxes. For most areas of the country this is an “as is” value.

The assessed market value is different from the assessment. The assessed market value is the assessor’s opinion of market value used by the homeowner to determine if the taxes are reasonable. The assessment is often a fraction of the assessed market value used to calculate the taxes (assessment x tax rate = taxes). The assessment often does not relate to market value. The process to relate the assessment to the assessed market value is known as equalization. If there is no equalization method, the appraiser should indicate N/A as the assessed market value.

8. Please explain the requirement for a wood destroying insect inspection.

A pest inspection is required for all structures except condominium units that are above ground level. The appraiser must note any infestation, any damage resulting from previous infestation, repairs resulting from infestation, or repairs necessary due to infestation. If the area in which the property is located is in a questionable probability area, that is, one that may or may not need a termite certificate, then the underwriter

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should contact the HOC for guidance. However, an appraiser must still check for signs of infestation even in those areas designated as not prone to infestation.

9. Regarding VC-9, does the flat roof inspection include porches?

Yes, the requirement includes all roofs over all enclosed structures on the property. Flat roofs on condominium projects are covered by the condo's Home Owners Association. Nevertheless, the appraiser should always make comments on a project's overall condition.

10. If the roof cannot be observed because it is snow covered, what can the lender do to satisfy the condition?

If it is unreasonable to expect the snow to clear within a reasonable amount of time, the appraiser may access the condition of the roof by observing the roof from the interior. The borrower must be informed that the roof was snow covered at the time of the appraisal to determine whether it is acceptable to the purchaser. The lender may also require additional requirements to satisfy this condition.

11. VC-1 indicates that properties located within 300 feet of a stationary storage tank containing more than 100 gallons of flammable or explosive material are ineligible. It is common to have oil, gas or propane tanks for residential heating purposes that are typically in excess of 100 gallons within 300 feet of property (especially with smaller lots) borders.

HUD has increased the storage tank size to 1,000 gallons.

12. Please address the eligibility of properties located within 300 feet of a gas station.

This would not necessarily render the property unacceptable. The Direct Endorsement (DE) Underwriter is required to provide a written disclosure to the borrower that the property is located within 300 feet of a gas station.

13. Please clarify VC-6 Private Road – “show evidence access is protected by a permanent recorded easement”. Will the ALTA policy suffice?

The title search should reveal recorded easements. However, it is the DE Underwriter's responsibility to determine if the title policy shows sufficient evidence of a permanent recorded easement.

14. Is there a requirement for smoke detectors?

Although FHA strongly recommends them, smoke detectors are not a nationwide HUD requirement at this time. The 203(k) rehabilitation program requires that smoke detectors be installed adjacent to sleeping areas.

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15. Page 2-1-C of the Handbook states that, if a dwelling is less than 2 years old, the appraiser must indicate the year and month the home was completed. Please define the term “completed” and explain why this information is necessary.

The purpose of this provision is for the application of the Cost Approach. The Handbook requirement will be reduced from two years to *thirteen* months. “Complete” is defined as ready for occupancy with only minor finish items (e.g., touch-up painting, final grading and seeding) remaining.

16. Many properties will be eligible for FHA financing under the guideline for overhead high-voltage transmission lines because they are located within the fall distance of a radio or TV cable tower or satellite dish. Is there anything the lender can do to render these properties for insurance?

The appraiser must indicate whether the dwelling or related property improvements is located within the easement serving a high-voltage transmission line, radio/TV transmission tower, cell phone tower, microwave relay dish or tower, or satellite dish (radio, TV cable, etc.). If the dwelling or related property improvements are located within such an easement, the DE Underwriter must obtain a letter from the owner or operator of the tower indicating that the dwelling and its related property improvements are not located within the tower’s (engineered) fall distance.

17. Are appraisers competent to assess whether offensive noises and odors threaten the health and safety of the occupants of a property.

Section 2-2K will be modified to reflect that the appraiser should review any nuisance and take it into consideration in the market analysis, making adjustments if appropriate. The appraiser should document the appraisal report, as necessary.

18. Regarding Section 3-1 of the Handbook, are black and white photographs acceptable?

Yes, black and white laser printed copies of photographs, as well as photographs produced by digitized cameras which are of adequate size and clarity, are acceptable.

19. If the appraiser is unable to take the required photographs to show the front, rear and sides of the property because of shrubbery, topography, etc., what should he/she do?

The appraiser should make every attempt to take the required photographs. If not possible, the appraiser should so state on the appraisal report.

20. Is it the appraiser’s responsibility to determine the feasibility of connecting to public or community water and/or sewage systems?

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If the property has private water and/or sewage systems, the appraiser will annotate the VC Form (VC-4 as appropriate). It is the lender's responsibility to determine the feasibility/reasonableness of the connection cost. The appraiser should provide the lender with information about the location of public or community systems (e.g., the public water line is available directly in front of the subject property; or the public system is located approximately 100 feet from the property, but there are protected wetlands between the subject and the public system).

21. If the appraiser does not know the location of the private well or septic tank drainfield, how can the distance between them be documented?

If the appraiser is unable to make the determination, a condition requirement will be made on the VC Form. The DE Underwriter can clear the condition by obtaining satisfactory evidence from a qualified party that the distance requirements (between the two systems, and between the systems and property line) have been met.

22. Handbook 4150.2 indicates that cisterns are not acceptable. Are there any exceptions to this?

Yes. The HOCs have the authority to consider case-by-case waivers in areas where cisterns are typical. The lender contacts the HOC that has jurisdiction over the property for waiver procedures.

23. Handbook 4150.2 indicates that the crawl space must be 18 inches. Please clarify.

The Handbook will be clarified, as follows: "A minimum distance of 18 inches from the ground to bottom of the joists is highly recommended but not mandated". The appraiser will enter the crawl space (at a minimum entry of the head and shoulders) to observe conditions except when access is obstructed, when entry could damage the property, or when dangerous and adverse situations are suspected. In any event, the crawl space and accessibility dictates the level of entry. However, the appraiser will visually examine the crawl space for inadequacies (see HUD HB 4150.2 Chapter 3-6 A. 11 and Protocol for VC-8).

ATTIC: The attic must be examined whether access is by pull-down stairway or scuttle. At a minimum head and shoulders entry. However, size and accessibility dictates the level of entry. The requirement to examine the crawl space and attic is not a new requirement nor has the requirement changed.

24. Are vapor barriers required in crawl spaces?

Typically no; however, if moisture problems are evident, a vapor barrier should be required.

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25. Handbook 4150.2 requires that the heating system must be able to maintain 50 degrees in all areas containing plumbing systems and that the system must be installed in accordance with the manufacturer's recommendations. How will the appraiser know this?

This requirement pertains only to dwellings that use wood-burning stoves or solar systems. If the appraiser is unable to make the necessary determinations, he/she should so state on the VC form by making a condition requirement. The lender may obtain a certification from a qualified firm that the system is properly installed to clear the condition requirement.

26. When is a handrail necessary?

Usually when there are three or more risers. However, if a situation poses a safety issue for the occupants, a condition requirement should be made regardless of the number of risers.

27. Please clarify the requirements for lead-based paint repairs on condominium units.

The lead-based paint requirements relate only to the unit being appraised, not to the entire project. Section 3-6A-17 of the Handbook will be revised to reflect this correction. However, the appraiser should always comment on the overall condition of the condominium project.

28. Regarding Section 3-6B-6, Bedroom Egress, what is "adequate" egress?

Occupants of a bedroom must be able to get outside the home if there is a fire.

29. In Section 4-5E, the construction ratings do not coincide with other agencies, such as Fanny Mae and Freddie Mac, or Marshall and Swift. Will this be changed in the future?

The reference to "fair" construction quality will be removed from the handbook in order to bring HUD's construction ratings in line with those of Fannie Mae, Freddie Mac and Marshall and Swift.

30. Why can't appraisers use comparables over 12 months old, especially in rural areas where it is difficult to obtain comparables that are more recent?

A sale over 12 months old is not acceptable in the first three comparables. The appraiser should go to a competing neighborhood. An older sale may be used as a fourth or fifth comparable sale to supplement the three comparables, however, the search must be sufficient to capture comparables from the past 12 months.

31. Can you explain how the appraiser is to handle financing concessions?

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Sales concessions influence the price paid for real estate. It may be in the form of loan discount points, loan origination fees, settlement assistance, payment of condo/PUD fees, builder incentives or the inclusion of non-realty items in the transaction.

Appraisers are required to verify and analyze all sales on a cash-equivalent basis (interest rate buy downs, below market financing, owner financing, etc). As stated in the Appraisal of Real Estate, Eleventh Edition:

In cash equivalency analysis, an appraiser investigates the sales price of comparable properties that appear to have been sold with non-market financing to determine whether adjustments to reflect typical market terms are warranted. First, sales with non-market financing are compared to other sales transacted with market financing to determine whether and adjustment for cash equivalency can be made. *Market evidence is always the best indicator of such an adjustment.* However, buyers rarely, if ever, rely on strict dollar for dollar cash equivalency adjustments.

The appraiser must verify all sales transactions for seller concessions and report those findings on the URAR. The amount of the negative adjustment to be made to each comparable with sales or financing concessions is equal to any increase in the purchase price of the comparable that the appraiser determines to be attributable to the concessions. It should be noted that the need to make negative adjustments and the amount of the adjustments to the comparables for sales and financing concessions are not based on how typical the concession might be for a segment of the market (large sales concessions can be relatively typical in a particular segment of the market and still result in sales prices that reflect more than the value of the real estate). The adjustment must reflect the difference between what the comparables actually sold for with the sales concessions and what they would have sold for without the concessions so that the dollar amount of the adjustments will approximate the reaction of the market to the concessions.

Comparables are never adjusted for the subject's sales concessions. If the subject has a sales concession, the appraiser should discuss the purchase agreement, including any sales concessions for the subject, on page two of the URAR in the section marked "analysis of any current agreement of sale".

Item 5 of the Definition of Market Value, (which is included with every residential appraisal) as shown above the Statement of Limiting Conditions and Appraiser's Certification states: "The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale."

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by the sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the

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comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of financing or concessions but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

32. Section 8-1 on Manufacturing Homes requires inspection by a State Administrative agency when the appraiser observes changes to the original home. If the manufactured home has an addition, and there is no local agency to inspect such homes, are there alternatives to rejecting the property?

The lender can obtain an engineer's report indicating that the structural changes or additions to the property were made in accordance with the HUD Manufactured Home Construction and Safety Standards, instead of rejecting the property.

33. On Page D-9, Room Grid, appraisers are instructed to enter the appropriate square footage for each designated room. Is this correct?

No. The Handbook will be revised to reflect: "enter the *number of each type of room* on each level. Show the appropriate area square footage for each designated *level*."

34. On Page D-29, VC-27, are you referring to fire retardant treated sheathing?

Yes, this is a typographical error and will be corrected.

35. Regarding VC-11, if an older garage door does not have the automatic reverse feature and/or does not stop when met with resistance, must the appraiser require that a new opener be installed?

The appraiser must verify that the garage door does not drop with a heavy impact due to broken or missing components. If there is readily-observable evidence of a potential safety hazard, call for repair or replacement.

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36. VC-11 references multiple broken windows. What if there is only one window broken?

Any broken window should be repaired or replace.

37. Page D-33, VC-13 indicates that the property does not meet completion standards if the completion rate is less than 2/3. What does this mean?

This item will be removed from the Handbook and VC Form.

38. In the Glossary of Terms, does the term “Dangerous or Adverse Situations” refer to the property being appraised or the performance of the appraiser?

This definition refers to the property only. It is not intended to refer to the appraiser. The definition will be revised in the Handbook as follows:

Situations that pose a threat of injury to the homeowner or occupant(s) and/or require the use of special protective clothing or safety equipment on the part of the homeowner or occupant(s).

39. Who performs the final inspection on properties “under construction” or “existing less than one year old”?

If the property is under construction and not 100% complete, the appraiser will perform the appraisal, complete the URAR and all necessary exhibits, and require a final inspection. The final may be completed by a fee panel inspector or the HUD approved local jurisdiction or equivalent and Form HUD-92051, Compliance Inspection Report is required. If the property is 100% complete, the appraiser performs the appraisal and completes the URAR and all necessary exhibits. In this instance, the appraisal serves as the final inspection and Form HUD-92051, Compliance Inspection Report, is not required. For detailed guidance see HUD HB 4145.1 REV-2 Change 1, Paragraph 6-3, pages 6-16 and 6-17. However, in all cases, if the appraiser does not have the plans, specifications and construction documents as well as a completed builder’s certification at the time the appraisal is to be performed, the appraiser may not complete the appraisal until this documentation is made available.

40. The Handbook advises the appraiser to only talk to the DE Underwriter about an appraisal before it is completed. Also, no other person should talk to the appraiser. This seems to be a bit impractical. A lot of times the appraiser has small problems that would have nothing to do with the DE Underwriter. Does this mean that after a sponsored mortgage broker i.e. lender, orders an appraisal, we are not supposed to talk to the appraiser until it is received? A lot of times, an appraiser will call just to let us know a property isn’t going to work, can’t find a comparable, etc. Are we not to have that kind of relationship with the appraisers anymore?

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No one but the underwriter is to discuss the value with the appraiser until the appraisal is completed. The appraiser can discuss the physical characteristics or schedule an appointment with the seller or their representative. Consistent with the Financial Institution Reform and Recovery Act (FIRREA), the appraiser may not discuss the value with anyone else but the client. The client is the lender.

41. Will there be revisions to Handbook 4150.2 coming out with changes already made?

FHA will update the handbook as necessary.

42. Will appraisers be able to charge a higher fee for the increased reporting requirements?

It is the Department's position that appraisal fees should not increase as a result of the recent changes. The appraisal process for HUD has remained largely unchanged. The new forms only require confirmation of pre-existing requirements already contained in the MPR.

43. Our appraisers are stating that the FHA appraisal cost for consumers will substantially increase because of the at least 1-2 hours more work and the requirement that appraisers inspect under the house and crawl in the attic for visual inspection. How do I address this statement?

The reporting requirements have not changed. The appraiser has always been required to enter both the attic and crawl spaces to observe conditions.

‘For Your Protection: Get a Home Inspection’:

1. When is it mandatory to use the “For Your Protection: Get a Home Inspection” form?

The form is mandatory for loans on dwellings that are more than 12 months old, excluding refinance transactions and Home Equity Conversions Mortgages.

2. When HUD is the seller (HUD Real Estate Owned [REO]), will the “For Your Protection” form be required?

Yes.

Homebuyer Summary:

1. When is the use of the Homebuyer Summary mandatory?

The Homebuyer Summary is mandatory for loans on all existing homes, except for 203(k) program loans and streamline financing.

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2. Is the Homebuyer Summary required for existing properties (over one year old)?

Yes. The form is also required for existing properties less than one year old. The form is not required for proposed construction and properties under construction.

3. Should the Homebuyer Summary reflect only items needing repair, or should it also reflect certifications that may be required (termite inspections, well tests, septic certifications, etc.)?

The Homebuyer Summary should reflect ALL conditions noted on the VC sheet. If there are none, the appraiser should state this on the Homebuyer Summary.

4. If there are no repairs or conditions, is the Homebuyer Summary still required?

Yes. If there are no repairs or conditions, the Homebuyer Summary should so state.

Valuation Conditions:

1. When is the use of the Valuation Conditions Form mandatory?

The Valuation Conditions (VC) Form is mandatory on all existing homes, except for 203(k) program loans and streamline refinancing without an appraisal.

2. We're concerned that a completed VC Form will be interpreted by some in the home purchase process as being equivalent to a Home Inspection. What measures are in place to ensure this will not happen? What role can the Lender play here?

The VC Form is for use by lenders and will not typically be issued to the borrower(s). Purchasers are provided with the Homebuyer Summary which specifically provides them with a summary of the observations of an appraiser who visited the property, plus reminds them that an appraisal is different from a home inspection. The Lender's role is to ensure that the borrower(s) understand the Homebuyer Summary and acknowledges receipt of the form. Also, Form HUD-92564-CN "For Your Protection: Get a Home Inspection" is presented to the borrower(s) and signed on or before the contract is executed.