The Value of Monthly Inspections on Delinquent Properties

Visible stewardship, community confidence, and consistent field intelligence regardless of reported occupancy status

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Executive Summary

Monthly inspections on delinquent properties provide an essential layer of visible stewardship. While the inspection report helps confirm occupancy and document condition, the physical presence itself also matters. A periodic field visit communicates to neighbors, code enforcement officials, local communities, and potential bad actors that the property is not being ignored. It creates a visible sign that someone is responsible for monitoring the home, recognizing changes, and escalating concerns before they become larger issues.

NAMFS recognizes that some stakeholders question whether reported-occupied properties require monthly field review. That concern is understandable: when a home appears occupied, the perceived risk may seem lower. NAMFS recommends a broader view. Occupancy status can change quickly, and exterior conditions can deteriorate even while a property is occupied. Monthly exterior inspections, conducted in a non-intrusive, safety-conscious manner and consistent with applicable law and investor requirements, help preserve both property integrity and community confidence.

This framing is especially important in light of Fannie Mae's public property preservation priorities, which include preventing community blight, protecting housing values, being a good neighbor, supporting neighborhood stabilization, minimizing potential property damage, liability, and code violations, and monitoring servicer performance. [1]

Key Findings

Finding	Why It Matters
Physical presence sends a community signal	Regular field visits show neighbors, code enforcement, and would-be vandals that the property is monitored and not abandoned.
Occupied does not always mean stable	A reported-occupied delinquent property can still experience sudden vacancy, deferred maintenance, utility issues, weather impacts, or visible code concerns.
Monthly cadence supports early intervention	Recurring observation creates an opportunity to notice changes closer to when they occur, before problems escalate.
Vacant properties require continued visibility	Once vacant, inspections remain necessary because grass cuts, pool work, snow removal, and other recurring services are task-specific and do not replace whole-property observation.
Good-neighbor outcomes matter	Visible care supports community confidence and aligns with efforts to prevent blight, protect housing values, and reduce code pressure.
Late vacancy discovery has measurable cost	If the vacancy date is identified late, securing, winterization, insurance, and conveyance actions can also run late, increasing claim, preservation, and collateral-loss exposure.
Occupancy proxies do not observe property condition	Cell-phone, USPS, utility, and similar data sources may help estimate occupancy, but they do not document roof damage, open access points, code notices, water intrusion, or other visible conditions.

Policy Context: Inspection as Stewardship, Not Just Status Confirmation

Investor and insurer guidance already recognizes that delinquent properties need a field-based framework. Fannie Mae requires property inspections on or after the 90th day of delinquency and no later than the 120th day, with monthly inspections continuing for loans that remain 90 or more days delinquent unless certain exceptions apply. When monthly inspections are required, they must occur 20 to 35 days apart and must document occupancy status and property condition. [2]

The same Fannie Mae guidance distinguishes inspection type by occupancy status: vacant or abandoned properties require an interior inspection as allowed by law, while unknown or occupied properties require an exterior inspection. [2] This distinction is important. It allows field presence to be scaled appropriately while preserving a consistent, documented understanding of the property.

NAMFS is not suggesting that field activity ignore borrower protections, investor rules, client instructions, local law, or safety conditions. Rather, NAMFS recommends that the industry recognize monthly inspections as a practical, good-neighbor rhythm that supports responsible stewardship during delinquency.

Why Being Physically Present Matters

Data can indicate loan status, borrower contact, servicing milestones, and prior inspection results. It cannot fully replace a person standing at the property, observing what has changed, and creating a contemporaneous record of the condition. In delinquent property management, physical presence creates benefits that are both operational and communal.

Audience	What Presence Communicates	Benefit
Neighbors	The property is not abandoned and someone is paying attention.	Reduces uncertainty, supports neighborhood confidence, and can limit complaints.
Code enforcement	The property is monitored and conditions can be escalated.	Creates a documented record and reinforces good-faith property care efforts.
Would-be vandals or trespassers	The home is not an unattended target.	Visible care can discourage vandalism, unauthorized access, and dumping.
Servicers and investors	The property status is being validated with recurring field intelligence.	Supports faster decisions, better documentation, and clearer escalation.
The broader community	The property remains part of the neighborhood, not apart from it.	Supports efforts to prevent blight and protect surrounding housing values.

This is consistent with the public safety framing used by the U.S. Fire Administration, which emphasizes monitoring, securing, inspecting, and marking vacant and abandoned buildings. USFA also notes that secure and well-maintained vacant properties with an interested owner are not the same problem as unsecured properties lacking visible stewardship. [6]

Reported Occupancy Should Inform the Inspection Type - Not Eliminate the Need for Awareness

A reported-occupied delinquent property should be approached with care, respect, and appropriate limitations. In most circumstances, this means an exterior-only review conducted from public or authorized vantage points, with field safety and borrower/tenant protections at the center of the process. But reported occupancy should not automatically mean that no field awareness is needed.

1. **Occupancy can change suddenly.** A borrower or tenant may leave between contact cycles, utilities may be disconnected, or a property may move from occupied to vacant with little visible notice in system data.
2. **Exterior conditions can change even when occupied.** Roof issues, weather damage, high grass, debris, deteriorating openings, code notices, and safety concerns may develop independently of occupancy status.
3. **Physical observation reduces uncertainty.** A field visit can validate, clarify, or challenge system assumptions and create a useful record for servicing, escalation, and community response.
4. **The visit itself can demonstrate responsible care.** When community members see recurring attention to the property, the home is less likely to be viewed as ignored or abandoned.

Risk Areas Monthly Presence Helps Manage

Risk Area	Monthly Field Presence Value
Sudden vacancy	Recurring visits help identify transition points and support timely securing, utility review, insurance notification, and preservation action when authorized.
Weather and seasonal impacts	A monthly rhythm creates opportunities to observe storm damage, fallen limbs, roof concerns, freeze exposure, standing water, or exterior deterioration.
Unauthorized access or vandalism	Visible monitoring and documentation help show that the property is not abandoned and can support faster response to openings, break-ins, dumping, or theft.
Code and community concerns	High grass, debris, pests, exterior hazards, visible notices, or nuisance conditions can be escalated before they strain relationships with municipalities or neighbors.
Public safety conditions	Vacant or unsecured buildings can create fire and responder safety concerns. Monitoring, securing, and inspecting are recognized public safety strategies. [6]

The Economics of Late Vacancy Discovery

Monthly inspections should also be evaluated through an economic lens. The question is not only whether a field visit helps confirm occupancy; it is what can happen when vacancy is discovered late and every downstream action is delayed as a result.

For FHA-insured loans, 24 CFR 203.377 ties inspection and preservation duties to the mortgagee learning, or when it should have learned, that a defaulted property is vacant or abandoned. Field inspections are a primary mechanism for establishing that real-world vacancy has occurred, which then supports timely securing, winterization, hazard review, insurance notification, preservation action, and conveyance management. [8]

Late vacancy discovery can turn a modest monitoring cost into a large downstream loss. HUD OIG has already quantified the cost of missed servicing and conveyance deadlines. In Audit Report 2017-KC-0001, HUD OIG reported that HUD paid claims on an estimated 239,000 properties that were not foreclosed upon or conveyed on time, including an estimated $141.9 million in unnecessary debenture interest and $2.09 billion in unnecessary holding costs, for a total of approximately $2.24 billion. In the sampled loans, servicers were late foreclosing upon and securing properties by an average of 523 days. [9]

HUD OIG also reported an estimated $413 million in unnecessary interest and other costs on 27,634 preforeclosure claims where lenders failed to complete servicing actions within established timeframes. [10] These findings do not mean every delayed vacancy discovery causes the same result, but they demonstrate that missed timelines can create costs that materially exceed the price of routine inspection activity.

Insurance risk compounds the concern. Standard hazard-policy vacancy provisions vary by form, carrier, and state, but many policies restrict or exclude certain coverages after a property has been vacant for a specified period, often 30 to 60 days. The loss most likely to occur in an undetected vacancy—water damage, vandalism, theft, glass breakage, freeze damage, or unauthorized access—may be exactly the type of loss that becomes harder to recover if the vacancy clock was not identified and managed. [11]

The arithmetic is straightforward: twelve monthly exterior inspections generally cost a few hundred dollars per year. One denied water, freeze, theft, or vandalism claim—or one missed preservation or conveyance timeline—can exceed years of inspection fees. Expected loss, not inspection unit cost alone, should guide the policy decision.

Late Discovery Point	Potential Downstream Cost
Vacancy date identified late	Securing, winterization, utility review, insurance notification, and preservation timelines may begin late.
Property remains open or unsecured	Vandalism, theft, squatting, illegal dumping, and public-safety exposure can increase.
Condition changes go unobserved	Water intrusion, roof deterioration, freeze exposure, code violations, or pool hazards may compound before mitigation.
Insurance vacancy clock unmanaged	Policy-specific vacancy provisions may restrict or exclude coverage if the vacancy period is exceeded.
Servicing or conveyance deadlines missed	HUD OIG findings show missed timelines have produced substantial interest, holding-cost, and claim-cost exposure.

Occupancy Data Substitutes: Useful Signals, Not Complete Verification

The strongest argument for reducing field inspections is not that occupied properties are risk-free; it is that alternative data sources—such as cell-phone presence, USPS data, utility feeds, borrower contact, or other predictive tools—may help identify occupancy transitions without a visit. NAMFS should address that argument directly.

These sources are occupancy proxies. They may help estimate whether a person is associated with a property, but they do not observe the property itself. They do not document whether there is roof damage, an open rear door, a broken basement window, a code notice, water intrusion, a green pool, fallen limbs, disconnected utilities, or signs of unauthorized access. Fannie Mae guidance requires documentation of both occupancy status and property condition. Even a highly accurate occupancy model leaves the condition component unmet. [2]

The errors are not symmetrical. If a model incorrectly flags a property as vacant, the cost may be one inspection or clarification event. If a model incorrectly reports a property as occupied when it has transitioned to vacancy, the cost may include late vacancy discovery, missed securing or winterization, unmanaged insurance exposure, delayed preservation, a curtailed claim, or avoidable collateral deterioration.

For that reason, headline accuracy is the wrong metric. Because most reported-occupied delinquent properties may remain occupied in any given month, a model that simply predicts "occupied" most of the time could appear highly accurate while missing the transition events that matter most. The relevant measures are recall on newly vacant properties and detection lag in days.

There is also a validation problem. Occupancy models are commonly trained or validated against field results. If the inspections are removed, the industry risks losing the ground truth needed to confirm whether the substitute is actually working. Technology is valuable, but it is strongest when paired with recurring field intelligence rather than used to eliminate the very evidence that validates it.

Substitute Signal	What It May Indicate	What It Does Not Observe
Cell-phone or device presence	Possible human presence near the property	Property condition, access points, roof, gutters, pool, code notices, or safety hazards
USPS or mail data	Possible delivery activity or address usage	Vacancy transition timing, exterior deterioration, unauthorized occupancy, or physical risk
Utility data	Possible consumption pattern	Broken windows, water intrusion, vandalism, debris, overgrowth, or municipal notices
Borrower contact / system notes	Servicing communication status	Whether the property condition changed after the contact or whether exterior hazards exist

Recurring Services Are Essential - But They Are Not a Substitute for Inspection

Once a property is vacant, recurring services such as lawn maintenance, pool care, snow removal, winterization follow-up, or debris removal are important visible signs of care. NAMFS strongly supports those services as part of a good-neighbor preservation strategy. They help the property look maintained, reduce nuisance conditions, and demonstrate to the community that the asset is being managed.

However, recurring services are specialized. They are designed to complete a particular task, not to provide a whole-property occupancy and condition assessment. A grass cut may show the yard was serviced; it does not necessarily confirm whether the rear door is unsecured, whether new water intrusion has appeared, whether a window has been broken, whether there are signs of unauthorized occupancy, or whether a code notice has been posted after the service was completed.

Recommended Monthly Inspection Framework

NAMFS recommends a practical, respectful framework that separates occupancy determination, condition reporting, and service execution while preserving monthly field awareness during delinquency.

Status	Recommended Practice

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Delinquent / Reported Occupied	Continue monthly exterior field awareness when permitted by applicable law, investor/insurer requirements, and client instructions. Keep the process non-intrusive and focused on visible indicators, condition, safety, weather, and community concerns.
Delinquent / Unknown Occupancy	Continue monthly exterior inspection and escalate inconsistent indicators. Treat unknown occupancy as a status requiring clarity rather than assumption.
Delinquent / Vacant	Continue monthly inspections and authorized preservation. Use recurring services as visible care, but retain inspection as the broader verification and escalation layer.
Delinquent / Abandoned	Continue monthly inspections, including interior inspections where legally permitted and required. Escalate fire, structural, safety, environmental, or community risk conditions.

What Monthly Inspections Should Capture

- Occupancy indicators: utilities, vehicles, mail, lights, personal property, lawn care, window coverings, and other exterior indicators.
- Visible condition: roof, gutters, windows, doors, siding, foundation, openings, water intrusion indicators, debris, hazards, pool condition, and yard condition.
- Security status: broken windows, unsecured doors, board-up condition, open access points, lock condition, missing exterior equipment, and possible trespass indicators.
- Weather impact: storm damage, freeze exposure, flooding, standing water, downed trees, ice damage, roof leaks, and exterior deterioration.
- Community and code risk: municipal notices, high grass, trash, pests, visible hazards, nuisance conditions, or signs of neighborhood complaints.
- Escalation needs: preservation orders, emergency repairs, hazard suppression, safety issues, legal review, or servicer/investor notification.

Benefits of Preserving Monthly Frequency

Benefit	Impact
Visible good-neighbor stewardship	Shows the property is being monitored and cared for, supporting community confidence and municipal relationships.
Earlier intervention	Conditions are detected closer to the time they occur, improving the chance of timely mitigation.
Better occupancy integrity	Monthly field observation helps validate or challenge system data and borrower contact records.
Reduced collateral loss	Storm damage, unsecured conditions, roof leaks, vandalism, and utility issues are more likely to be identified before they worsen.

Benefit	Impact
Stronger compliance record	Consistent documentation supports investor, insurer, servicer, and vendor oversight requirements.
Clearer vendor accountability	Helps distinguish inspection findings from task-specific service completion and supports better quality control.

Implementation Recommendations

- **Maintain monthly field awareness.** Do not reduce frequency solely because a delinquent property is reported occupied when monthly exterior review is permitted and appropriate.
- **Lead with a stewardship message.** Position inspections as a way to demonstrate care, protect communities, support code compliance, and help preserve housing values.
- **Separate inspection and service scopes.** Do not treat recurring services as inspection substitutes. Require clear inspection documentation and separate completion evidence from service providers.
- **Use field safety and occupancy controls.** Maintain exterior-only protocols for occupied or unknown-occupancy properties unless lawful access is clearly authorized. Allow curbside inspections where legal constraints or safety concerns exist.
- **Document community-facing indicators.** Capture visible maintenance, code notices, debris, hazards, weather impacts, and conditions that could affect neighbors or public perception.
- **Adopt a published validation protocol for occupancy substitutes**. Require any model proposed as an inspection substitute to be tested against live, timestamped field results using transition recall and detection-lag metrics, not headline accuracy alone.

Conclusion

Monthly inspections remain a practical and community-minded control in delinquent property management. They support occupancy awareness, identify visible condition changes, create a contemporaneous documentation record, and provide the type of physical presence that data alone cannot supply.

NAMFS recommends preserving monthly inspection frequency for delinquent properties regardless of reported occupancy status when legally and contractually appropriate, and continuing that frequency once a property is vacant. Recurring services are essential to maintaining appearance and completing specific preservation tasks, but they should complement - not replace - inspections.

Technology can strengthen field operations, but the industry should evaluate substitutes through expected loss, transition recall, detection lag, and condition visibility rather than headline accuracy or unit-cost savings alone.

The strongest preservation programs combine field intelligence with visible care. That combination protects assets, supports neighborhoods, helps code enforcement recognize good-faith care efforts, and reinforces the core property preservation principle that every property should remain connected to a responsible process.

References

[1] Fannie Mae, Pre-Foreclosure Property Preservation. Source link

[2] Fannie Mae Servicing Guide, D2-2-10, Requirements for Performing Property Inspections. Source link

[3] Fannie Mae, Property Preservation Matrix and Reference Guide - June 2025. Source link

[4] Freddie Mac Single-Family Seller/Servicer Guide, Section 9202.3, Property inspections and abandonment. Source link

[5] U.S. Department of Housing and Urban Development, Mortgagee Letter 2023-20, Update to Property Inspection Fees. Source link

[6] U.S. Fire Administration, Reducing Arson at Vacant and Abandoned Buildings. Source link

[7] National Fire Protection Association, Learn About Fire Safety in Vacant Buildings. Source link

[8] Electronic Code of Federal Regulations, 24 CFR 203.377, Inspection and preservation of properties. https://www.ecfr.gov/current/title-24/part-203/section-203.377

[9] U.S. Department of Housing and Urban Development, Office of Inspector General, Audit Report 2017-KC-0001, FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time, October 13, 2016. https://www.hudoig.gov/reports-publications/report/fha-paid-claims-estimated-239000-properties-servicers-did-not-foreclose

[10] U.S. Department of Housing and Urban Development, Office of Inspector General, Audit Report 2018-LA-0007, HUD Paid an Estimated $413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays, September 27, 2018. https://www.hudoig.gov/reports-publications/report/hud-paid-estimated-413-million-unnecessary-preforeclosure-claim

[11] Insurance policy terms vary by form, carrier, and state. For general discussion of vacancy provisions and common 30-to-60-day coverage limitations, see Insurance Information Institute, Vacant Home Still Needs Insurance, and IRMI, Vacancy Provision. https://www.iii.org/ and https://www.irmi.com/term/insurance-definitions/vacancy-provision