

# ACES Quality Management Q1 2020 Mortgage QC Trends Report: EPDs Rising, Critical Defect Rate Hits Three-Year Low

DENVER, Colo., Sept. 17, 2020 (SEND2PRESS NEWSWIRE) – ACES Quality Management (ACES), formerly known as ARMC0 and the leading provider of enterprise quality management and control software for the financial services industry, announced the release of the quarterly ACES Mortgage QC Trends Report. The latest report, which provides nationwide loan quality findings based on data derived from [ACES Quality Management and Control Software™](#), covers the first quarter (Q1) of 2020.



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## Noteworthy findings include:

- Overall critical defect rate of 1.56% matched the lowest rate in three years;
- Defects attributed to the credit and income categories rebounded after

climbing higher in Q4 2019;

- Increases in the share of refinances (5%) and conventional loans (2%) contributed to the improvement in the overall defect rate; and
- Early Payment Defaults are on the rise.

“The combination of falling interest rates, employment numbers not yet impacted by COVID-19, and steady property appreciation all contributed to increases in the share of both refinances and conventional loans, which in turn drove the continued decrease in the overall critical defect rate observed in Q1 2020,” said ACES Executive Vice President Nick Volpe. “However, the last few weeks of the quarter encompassed the beginning of the COVID-19 pandemic, and given the economic impact of the pandemic on consumers, the number of early payment defaults increased, as one would expect.”

“ACES is monitoring this area closely, and the early Q2 data shows the number of EPDs reviewed by lenders through ACES is 75% higher than the average monthly rate of EPD reviews for 2019. Because an EPD review is triggered only when borrowers fall three or more payments behind, this indicates the industry is still in the early stages of the problem, and there is a high likelihood that the number of EPDs will continue to increase,” Volpe added.

The Q1 2020 ACES Mortgage QC Industry Trends Report is drawn from nationwide post-closing quality control loan data from over 90,000 unique loans selected for random full-file reviews, as was captured by the company’s ACES Quality Management and Control benchmarking system. Defects listed in the report are categorized using the [Fannie Mae loan defect taxonomy](#).

“Amid the chaos and uncertainty driven by COVID-19, data provides a clear path forward for lenders. While the industry’s focus has been on managing the near-historic volumes, Q1 loan defect data also indicates that lenders must also turn their attention to the growing problem of EPDs, as this represents a significant operation and financial risk to their organizations,” said ACES CEO Trevor Gauthier. “The power of ACES benchmarking functionality is that it allows lenders to utilize their current QC data to see what may lie ahead and respond accordingly to maintain loan quality and manage risk. This kind of trend forecasting can be a powerful tool in lenders’ arsenals especially with so much uncertainty remaining at a macroeconomic level.”

Mortgage QC Industry Trends Reports are available for download, free of charge, at <https://www.acesquality.com/resources/reports>.

### **About ACES Quality Management**

ACES Quality Management, formerly known as ACES Risk Management (ARMC0), is the leading provider of enterprise quality management and control software for the financial services industry. The nation’s most prominent lenders, servicers and financial institutions rely on ACES Audit Quality Management & Control Software™ to improve audit throughput and quality while controlling costs, including:

- 3 of the top 5 and more than 50% of the top 50 independent mortgage lenders;
- 2 of the top 5 loan servicers; and
- 2 of the top 5 depository institutions.

Unlike other quality control platforms, only ACES delivers Flexible Audit Technology, which gives independent mortgage lenders and financial institutions the ability to easily manage and customize ACES to meet their business needs without having to rely on IT or other outside resources. Using a customer-centric approach, ACES clients get responsive support and access to our experts to maximize their investment. For more information, visit <https://www.acesquality.com/> or call 1-800-858-1598.