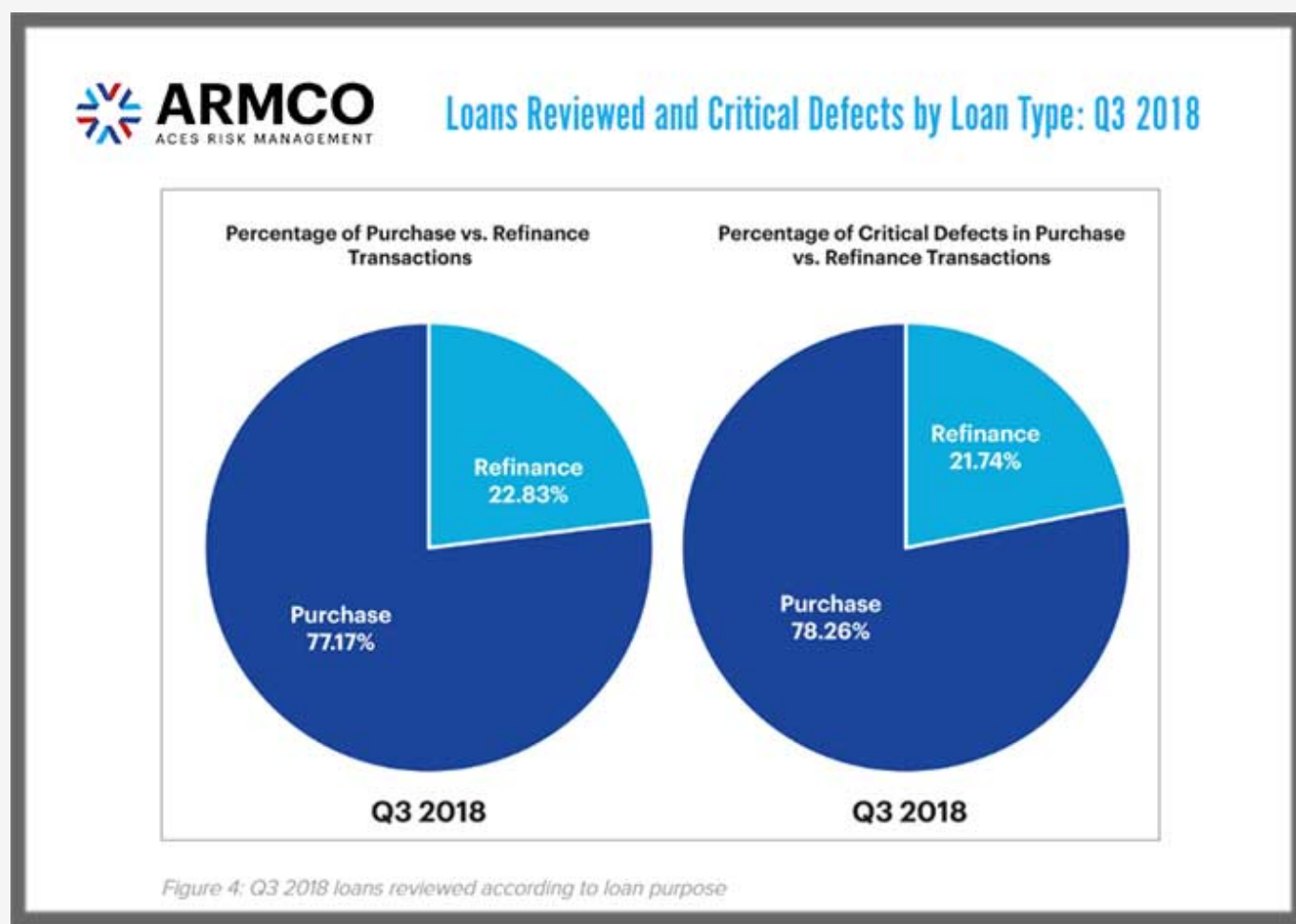


# ARMCO Q3 2018 QC Trends Report: Defect Trends Reflect Lower Volume, Hyper-Competitive Market

POMPANO BEACH, Fla., March 14, 2019 (SEND2PRESS NEWSWIRE) – ACES Risk Management (ARMCO), the leading provider of enterprise financial risk management solutions, announced the release of the quarterly ARMCO Mortgage QC Trends Report. The latest report covers the third quarter (Q3) of 2018, and provides loan quality findings for mortgages reviewed by ACES Audit Technology™.



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“You can tell a lot about a market from the percentage and distribution of critical defects,” said Phil McCall, president and COO of ARMCO. “In Q3 2018, defect activity indicates that lenders are still dealing with the quality issues that result from downsizing. We also see how lower volume markets can impact the quality of their loans.”

#### The report’s noteworthy findings include:

- In Q3 2018, the critical defect rate reached 1.89%, its second highest level since the TRID rule went into effect in October 2015, increasing

roughly 11% from the previous quarter's rate of 1.71%.

- In Q3 2018, critical defects attributed to Loan Package Documentation spiked nearly 23% over the previous quarter, making Q3 2018 the fourth consecutive quarter to see a significant increase in this category.
- In Q3 2018, the number of defects attributed to the Income/Employment category dropped almost in half, from 22.73% in the previous quarter to 12.50%.
- In Q3 2018, FHA loans accounted for a disproportionate number of critical defects, comprising 28.20% of originated loans in the benchmark, but accounting for 49.55% of loans with critical defects.

"Downsizing can leave lenders with a less qualified workforce, which in turn leads to more errors, particularly with complex transactions and usually with loan documentation," said McCall.

The [Q3 2018 Trends Report](#) revealed that the categories of Credit and Liabilities each increased moderately, and the percentage of Property Appraisal-related defects reached its highest point of the year. "This aligns with lower overall production and compressed margins, two key components of a hyper-competitive market," explained McCall. "In an effort to win market share, investors often become more aggressive by expanding eligibility guidelines, while originators try to make up for declining volume by submitting loans of lower than usual quality."

The [Q3 2018 ARMCO Mortgage QC Industry Trends Report](#) is based on 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 Analytics benchmarking software. Defects listed in the report are categorized using the [Fannie Mae loan defect taxonomy](#) (PDF link).

"Analytics in quality control is vital in contracting markets," said McCall. "Lenders that don't use analytical technology will see more defects typical in lower volume, hyper-competitive markets, as well as the delays, fees, fines and even buybacks that can come with them."

ARMCO Mortgage QC Industry Trends Reports are available for download, free of charge, at <https://www.armco.us/learn/reports>.

## **About ARMCO:**

Over half of the top 20 mortgage lenders in the U.S. choose ARMCO as their provider of risk management software. ARMCO's product line includes loan quality enterprise software, services, data and analytics. Its flagship product, ACES Audit Technology™, has set the bar for user definability in its category. It is used at virtually every point in the mortgage lifecycle, as well as for a wide range of risk-prone business operations outside traditional mortgage origination and servicing.

ARMCO's consultative approach to customer relationships leverages 25 years of mortgage risk intel, assuring that its clients are using the most effective

risk mitigation strategies, and are using the fastest, most reliable, most efficient means for preventing risk-related loss. ARMCO distributes the ARMCO Mortgage QC Industry Trends Report, a free quarterly analysis of industry-wide mortgage loan quality. For more information, visit <https://www.armco.us/> or call 1-800-858-1598.