

# ARMCO QC Trends Report: Defect Trends Indicate Continued Lender Downsizing

POMPANO BEACH, Fla., Dec. 20, 2018 (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 provides loan quality findings for mortgages reviewed by ACES Audit Technology™ during the second quarter (Q2) of 2018.



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The report's noteworthy findings for Q2 2018 include:

- Continuation of several defect trends:
  - A significant quarter-over-quarter increase (23.8% over Q1 2018) in defects related to Loan Package Documentation, which are often associated with downsizing and understaffing, a trend that began in the previous quarter, Q1 2018
  - The majority of defects were attributed to the Income/Employment category, a trend that began in the previous quarter, Q1 2018
  - Core underwriting and eligibility issues were the most frequent cause of critical defects, a trend that has continued since the Q1 2017

- The critical defect rate decreased slightly, from 1.72% in Q1 2018 to 1.71%.
- Defects attributed to Borrower and Mortgage Eligibility increased by roughly 70%, from 6.57% in Q1 2018 to 11.36%

“In Q2 2018, we saw continued increases in defects typically resulting from downsizing and understaffing,” said Phil McCall, president and COO of ARMC0. “This seems to indicate that many lenders are still responding to the reduction in business and compressed margins with personnel changes, even in a purchase-dominated market.”



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Although defects associated with loan package documentation do not usually result in non-saleable loans, they can still have a detrimental impact on profitability. They often result in investors and insurers suspending loan purchases, which can reduce warehouse line capacity and result in price adjustments.

“The market’s current fluctuation demonstrates the financial reasons lenders need QC technologies that are dynamic and adaptable enough to respond quickly when the market shifts,” said McCall. “Sacrificing quality is a costly but unnecessary consequence of revenue reductions. In reality, no lender needs to accept less than the highest quality, regardless of contracting volumes or margins.”

The [Q2 2018 ARMC0 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](#). Each ARMCO Mortgage QC Industry Trends report includes easy-to-read charts and graphs, a summary that outlines ARMCO's overall findings, a breakdown of defect rates for each Fannie Mae loan defect category, and a short conclusion. ARMCO issues a one-year analysis for the calendar year with each fourth quarter Mortgage QC Industry Trends Report.

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.