

# ARMCO QC Trends Report: Defects Related to Loan Package Documentation Doubled from 2017 to 2018

POMPANO BEACH, Fla., July 11, 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 both the fourth quarter (Q4) and the calendar year (CY) 2018, and provides loan quality findings for mortgages reviewed by ACES Audit Technology™.



**ARMCO**  
ACES RISK MANAGEMENT

Send2Press® Newswire

“Critical defects in 2018 reflect the market’s rising interest rates and continued escalation of property values,” said Nick Volpe, chief strategy officer for ARMCO. “Fewer highly qualified borrowers transact mortgages when rates increase, which fills the market with more marginal borrowers who tend to require more documentation. It makes sense that defects related to loan package documentation more than doubled from 2017 to 2018.”

## The report’s noteworthy findings include:

- In Q4 2018, the critical defect rate increased just over 2%, reaching

1.93% from the previous quarters rate of 1.89%

- In CY 2018, the critical defect rate increased almost 8% over the previous year, jumping from 1.68% in CY 2017 to 1.81% in CY 2018
- Defects related to Income and Employment are on the rise:
  - In Q4 2018, Income and Employment related defects increased 63% over Q3 2018
  - In Q4 2018, Income and Employment related defects comprised a greater percentage of total defects for both CY 2018 and CY 2017
- Defects attributed to Loan Package Documentation more than doubled between CY 2017 and CY 2018.
- In Q4 2018, defects attributed to categories related to Underwriting / Eligibility continued to dominate overall quality issues, comprising over 65% of all critical defects.
- In Q4 2018, the top three categories that increased over Q3 2018 were all key qualification categories: Income and Employment, representing 20.39% of all critical defects in the benchmark. This category was followed by Credit at 18.45% and Loan Package Documentation at 15.53%.
- In CY 2018, FHA loans accounted for roughly 31% of the loans reviewed but represented approximately 41% of loans containing critical defects.

The Q4/CY 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).

"As the market fluctuates, so do the distribution and frequency of defects, and if lenders aren't prepared, that can end up costing them a lot in price adjustments, fees, investor delays and even buybacks," said Phil McCall, president of ARMCO. "Analytical QC technologies enable lenders to catch the defects and proactively prevent them so they can protect their profits. In shifting markets, where defects are like moving targets, that's more important than ever."

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 <http://www.armco.us/> or call 1-800-858-1598.