

ARMCO QC Trends Report: Loan Quality Corrects with Market's Upturn

POMPANO BEACH, Fla., Sept. 16, 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 first quarter (Q1) 2019 and provides loan quality findings for mortgages reviewed by ACES Audit Technology™.



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"Q1 2019 revealed the loan quality correction we anticipated after Q4 2018, but while there are many positives related to the overall market's upturn, we saw an increase in defects related to key underwriting and eligibility functions," said Nick Volpe, chief strategy officer for ARMCO. "This continues a trend that persisted the entirety of 2019. Lenders shouldn't take this lightly."

The report's noteworthy findings include:

- The critical defect rate fell 6%, from 1.93% in Q4 2018 to 1.82% in Q1 2019
- Defects related to core underwriting and eligibility functions continued

to increase, with more defects attributed to Income/Employment than any other category

- Critical defects attributed to missing, expired and/or incorrect documentation continued to be volatile (24% in Q3 2018, 16% in Q4 2018, and 24% in Q1 2019) and noted a substantial increase from the prior quarter
- Compliance-related critical defects fell to their lowest level since Q1 2016, likely the result of greater lender investment in compliance technologies
- Defects related to Property and Appraisal increased noticeably from the previous quarter but remained low overall
- Government-insured loans accounted for a slightly higher share of all loans in the benchmark with FHA, VA and USDA loans comprising 41% of all loans reviewed

The Q1 2019 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](#).

"Refi-dominant markets can have a positive impact on defect rates," said Phil McCall, president of ARMCO. "But when volume goes up, individual workloads increase, turn times extend and mistakes tend to increase. Lenders who leverage technology wisely scale much better and expose themselves to fewer losses as a result."

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.