

Critical Defect Rate Drops 18% in Q3 2021, Per ACES Quality Management Mortgage QC Industry Trends Report

DENVER, Colo., April 14, 2022 (SEND2PRESS NEWSWIRE) – ACES Quality Management® (ACES), the leading provider of enterprise quality management and control software for the financial services industry, announced the release of its quarterly [ACES Mortgage QC Trends Report](#) covering the third quarter (Q3) of 2021. The latest report provides an analysis of post-closing quality control data derived from [ACES Quality Management & Control®](#) software.



Send2Press® Newswire

Notable findings from the Q3 2021 report include:

- Mortgage lenders managed mortgage origination quality extremely well in Q3 2021, leading to an 18% improvement in the overall credit defect rate.
- Manufacturing-related loan defects decreased as volumes declined.
- Q3 marked the official shift from refinances to a purchase-driven market, with purchase defects increasing as a result.
- Defect performance on conventional loans stabilized while FHA defects

rose.

- The Early Payment Defaults trend line indicates that reviews peaked and are now below pre-pandemic levels, shifting the focus to the remaining loans in forbearance status and exit plans for those borrowers.

“The critical defect rate for Q3 2021 dropped 18% to 1.86%, a welcomed improvement from the previous quarter. Lenders also experienced a slight decrease in origination volume, down 8% from Q2 of 2021,” said ACES Executive Vice President Nick Volpe. “Metrics are beginning to trend back to their historic normal levels as volume moderates. With the amount of volatility in macroeconomic factors and rising rates, the decline in the overall critical defect rate is a testament to lenders taking quality management and control seriously.”

Findings for the [Q3 2021 ACES Mortgage QC Industry Trends Report](#) are based on post-closing quality control data derived from the ACES Quality Management and Control® benchmarking system and incorporate data from prior quarters and/or calendar years, where applicable. All reviews and defect data evaluated for the report were based on loan audits selected by lenders for full file reviews.

“An improvement in the critical defect rate is always a positive sign. The worst of early payment default volume seems to be behind us, but we’re not out of the woods yet. Lenders’ focus should continue to be on helping remaining loans in forbearance status and building exit plans for those borrowers,” said ACES CEO, Trevor Gauthier. “Lenders and banks need to be cognizant of the economic and geopolitical environments in the coming months and possibly years. As the Federal Reserve works to calm inflation, these actions oftentimes have a ripple effect, which can certainly impact loan quality.”

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 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 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;
- 7 of the top 10 loan servicers;
- 11 of the top 30 banks; and
- 1 of the top 3 credit unions in the USA.

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 www.acesquality.com or call 1-800-858-1598.