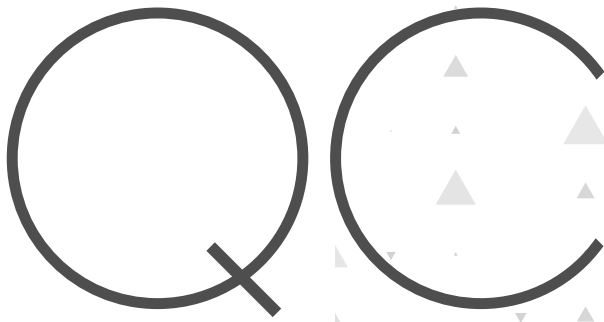
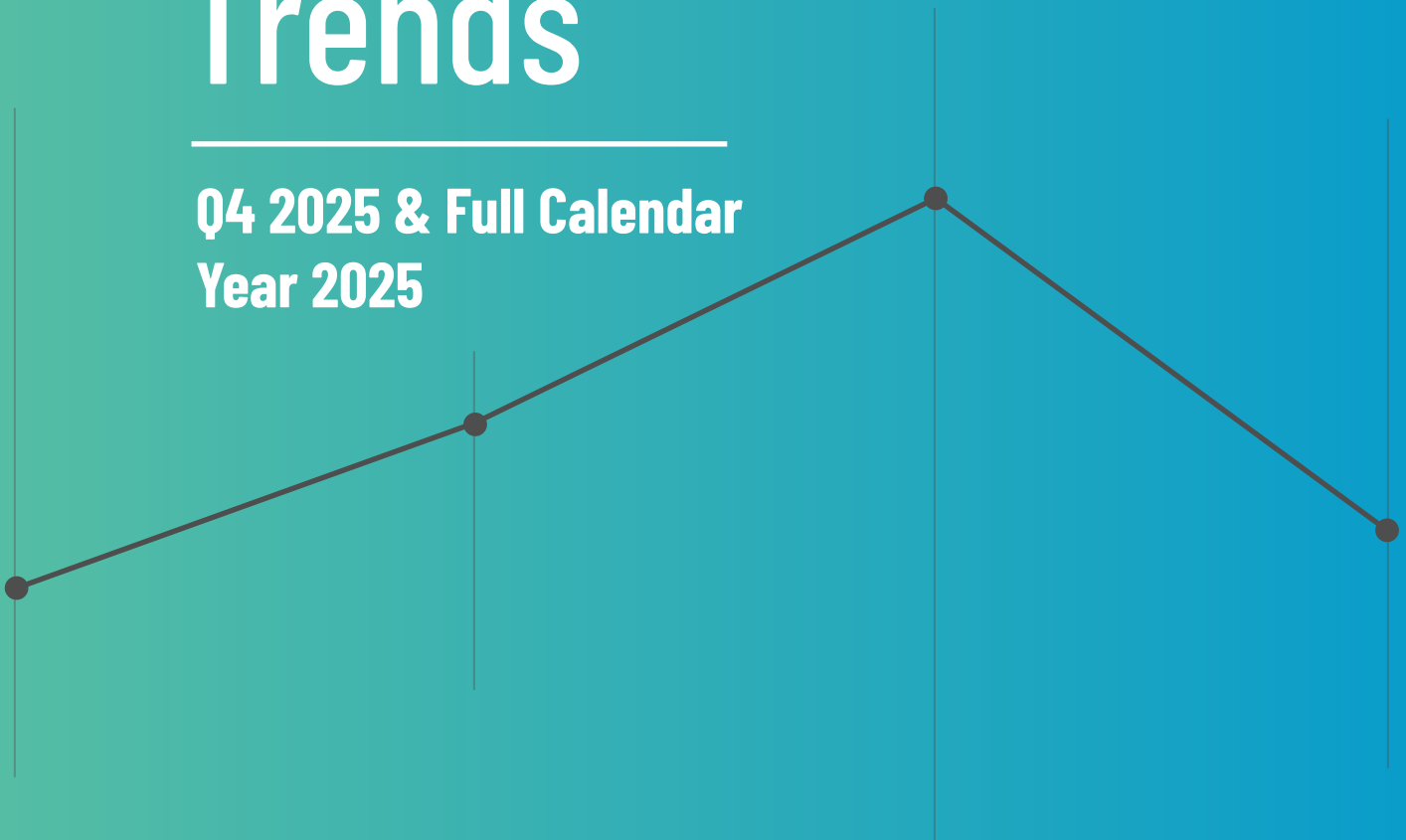


Mortgage



Industry Trends

**Q4 2025 & Full Calendar
Year 2025**



“Lenders ended 2025 on a strong note, with Q4 delivering a meaningful drop in the critical defect rate and the full-year average holding essentially flat versus 2024. But, the year’s defining shift toward eligibility-driven defects and the widening quality gap as refinance activity returned indicates that disciplined documentation and consistent eligibility decisioning will define quality in 2026.”

Nick Volpe

Executive Vice President of ACES Quality Management

ACES’ Mortgage QC Industry Trends Report represents an analysis of nationwide quality control findings based on data derived from the ACES Analytics benchmarking software.

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About This Report

This report represents an analysis of post-closing quality control (QC) data derived from loan files analyzed by the ACES Quality Management and Control® benchmarking system during the fourth quarter of 2025 (Q4 2025) and the full calendar year 2025 (CY 2025). The report incorporates data from prior quarters, where applicable.

Findings for the Q4 2025 Trends Report were based on quality control data from tens of thousands of unique records. Volumes are essential to this analysis, and the included records reflect trends in overall origination volumes. However, data from additional lenders is added to this analysis once the lender's QC review seasoning within the ACES software reaches the 12-month bar. Therefore, the overall volume in the QC Trends Report does not precisely mirror the overall market. All reviews and defect data evaluated for this report were based on post-close loan audits selected by lenders for full file reviews.

Defects are categorized using the Fannie Mae loan defect taxonomy. Data analysis for any given quarter does not begin until 90 days after the end of the quarter to allow lenders to complete the post-closing quality control cycle, resulting in a delay between the end of the quarter and our publication of the data.

NOTE: A critical defect is defined as a defect that would result in the loan being uninsurable or ineligible for sale. The critical defect rate reflects the percentage of loans reviewed for which at least one critical defect was identified during the post-closing quality control review. All reported defects are net defects.

Summary of Quarterly Findings

The overall critical defect rate for Q4 2025 fell to 1.38%, a 22.91% improvement over Q3 2025 and the first quarterly decline after three consecutive quarters of increase. The drop reversed the upward trend that had defined most of 2025 and reflected broad improvement across the underwriting categories, with Income/Employment, Credit and Insurance all posting double-digit declines quarter over quarter. Legal/Regulatory/Compliance was again the lone major outlier on the upside, rising to the top spot for the second time since Q4 2024.

Purchase review share continued to decline in Q4, while refinance review share rose for the third consecutive quarter to its highest level of the year. Defect share between purchase and refinance reached relative parity in Q4, marking a notable convergence after several quarters of refinance defect share running well ahead of refinance review share. By loan product type, Conventional review share continued its slow recovery from the Q2 2025 dip, while USDA/RHS review share fell sharply as lenders right-sized that segment relative to its

very low defect contribution. FHA and VA continued to carry defect share materially above review share, with VA defect share rising for the second consecutive quarter.

For CY 2025, the overall critical defect rate averaged 1.50%, essentially flat compared to CY 2024's 1.52% (-1.32%). However, full-year category-level results show a meaningful redistribution of where defects surfaced: three of the four major underwriting categories (Credit, Income/Employment, and Liabilities) posted year-over-year increases, while Assets improved sharply. Borrower/Mortgage Eligibility and Appraisal also moved higher year over year, reinforcing that affordability stress is showing up in eligibility-related decisioning across the board.

Highlights include the following findings:

- The overall Q4 2025 critical defect rate was 1.38%, a 22.91% decrease from 1.79% in Q3 2025.
- CY 2025's average critical defect rate was 1.50%, essentially flat from CY 2024's 1.52% (-1.32%).
- Of the four major underwriting categories, Credit, Income/Employment, and Assets all improved quarter over quarter in Q4 2025, while Liabilities continued its three-quarter climb.
- Legal/Regulatory/Compliance returned to the top spot in Q4 2025, rising 30% from 18.97% to 24.66%, marking the second time it has led all categories since Q4 2024 and its third consecutive quarterly increase.
- Income/Employment fell from the top spot for only the second time since Q4 2024, declining 21% to 21.52%.
- On a year-over-year basis, only Assets and Legal/Regulatory/Compliance saw declines among the larger categories. Borrower/Mortgage Eligibility, Credit, Income/Employment, and Appraisal all increased.
- Sub-category analysis for Q4 2025 showed continued declines in Calculation/Analysis-related defects across Assets and Income/Employment, while Eligibility-related defects rose across all three underwriting sub-categories.
- Purchase review share declined from 80.95% to 72.63% in Q4, while refinance review share climbed from 19.05% to 27.37%, the third consecutive quarter of refinance share growth and a level not seen since 2021/early 2022.
- Purchase and refinance defect share reached relative parity in Q4 (63.16% vs. 36.84%), narrowing a gap that had widened sharply in mid-2025.
- By loan type, Conventional defect share decreased to 55.43%, FHA increased modestly to 31.96%, VA rose to 12.32%, and USDA/RHS fell to 0.29%.

- For CY 2025, refinance review share nearly doubled year-over-year, rising from 11.14% to 21.04%, while refinance defect share more than doubled (15.30% to 32.20%).
- FHA review share grew to 24.02% for CY 2025, up from 20.15%, while VA review share declined to 11.70% from 15.51%. FHA defect share remained elevated relative to review share at 30.86%.

QC Industry Trends Overview

The overall critical defect rate fell to 1.38% in Q4 2025, down 22.91% from Q3's 1.79% and reversing three consecutive quarters of increase. While still above the near-record 1.16% recorded in Q4 2024, Q4 2025's result is consistent with the broader pattern observed throughout the year: a market normalizing rather than deteriorating, with quality outcomes oscillating in response to mix and macro conditions rather than reflecting systemic weakening. It is also worth noting that Q4 2025 stands well below the 2021–2022 range of 1.84%–2.70%, reflecting the long-run improvement trajectory of mortgage manufacturing quality.

Compared to the prior year, the overall critical defect rate for calendar year 2025 averaged 1.50%, a 1.32% improvement over CY 2024's 1.52%. The full-year picture is therefore one of stability at the headline level, with year-over-year movement concentrated in where defects appeared rather than in how often they occurred. Lenders contended with another year of constrained affordability, evolving product mix, and continued pressure to operate lean, yet still delivered a full-year critical defect rate at the lower end of the historical range.

From an interest rate perspective, Q4 2025 was arguably the best quarter of the year, as rates continued the downward trend observed in late Q3. Rates began near 6.35% at the start of the quarter and trended downward throughout October. After a slight uptick to 6.26% in mid-November, rates declined to 6.15%, the lowest level observed since early February 2023 .

The rate environment did little to improve what is typically a slower sales period, as purchase volume dipped 14% quarter over quarter and 13% year over year despite a 34 basis point improvement from Q3 and an almost 41 basis point improvement over Q4 2024. However, refinances increased 6% from the prior quarter and 11% from the same period in 2024. These gains blunted the impact of a declining purchase market, resulting in a 6% decrease in overall origination volume from Q3 and no material gain from Q4 2024 .

Together, Q4 2025 and the full-year 2025 results paint a consistent picture: the mortgage industry continued to manufacture loans at historically strong quality levels even as lenders absorbed the operational impact of a falling rate environment that fueled refinance growth

without lifting the purchase market. With overall origination volume holding essentially flat year-over-year and the rate environment finally beginning to ease, the industry enters 2026 from a more constructive starting point than it has had in several years, though the affordability pressures and product-mix complexity that defined 2025 remain firmly in place.

¹ <https://www.freddiemac.com/pmms>

² <https://www.attomdata.com/news/market-trends/mortgage-origination/q4-2025-loan-origination-report/>

Critical Defect Rate by Quarter: Q1 2024 – Q4 2025

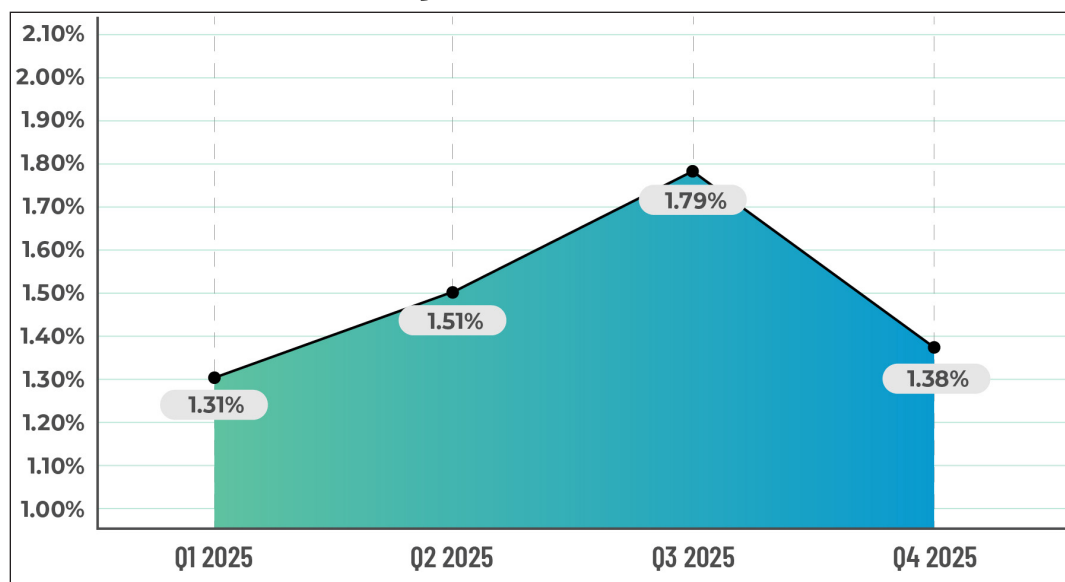


Figure 1 displays the percentage of loans with critical defects by quarter for Q1 2025 through Q4 2025.

Critical Defect Rate by Calendar Year: 2024 – 2025

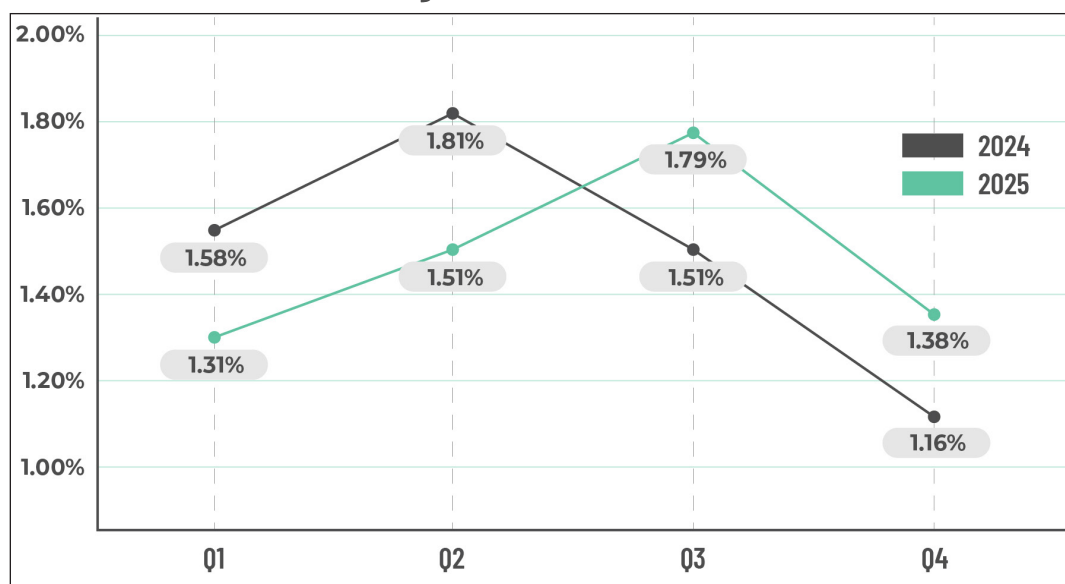


Figure 2 displays the percentage of loans with critical defects by quarter for each quarter in CY 2024 and CY 2025.

Critical Defect Rate Five-Year Trend: Q1 2021 – Q4 2025

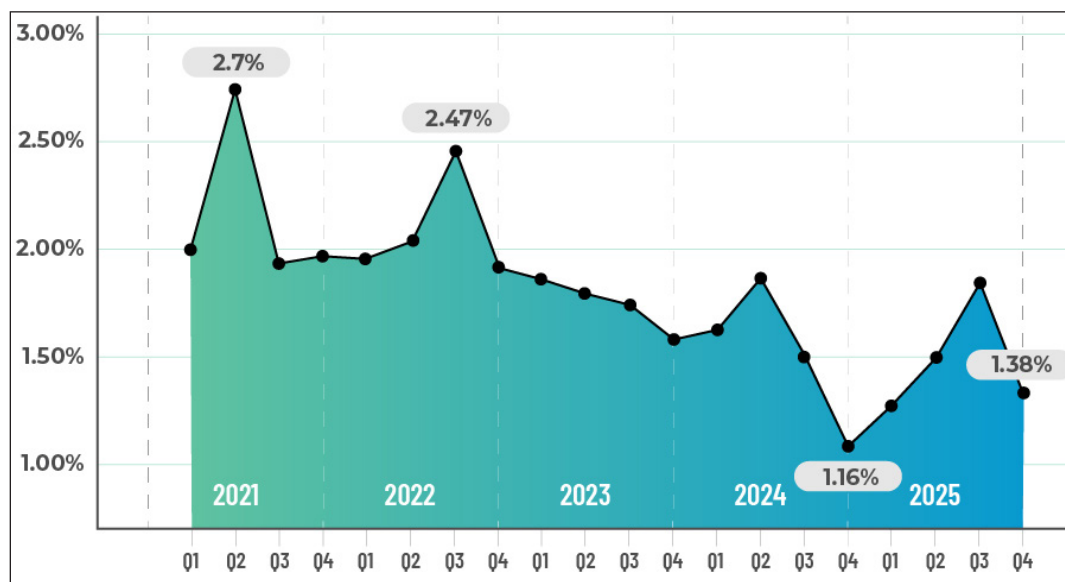


Figure 3 displays the quarterly critical defect rate for the most recent 20 quarters (Q1 2021 through Q4 2025).

QC Trends by Defect Category

Q4 2025 brought a clear reset across the defect category landscape. Income/Employment, which had retaken the top spot in Q3 2025 with a sharp 47.6% jump, reversed course in Q4 and declined 21% to 21.52% of all defects. In its place, Legal/Regulatory/Compliance climbed for the third consecutive quarter, rising 30% from 18.97% to 24.66% and re-emerging as the leading defect category for only the second time since Q4 2024.

As noted in the Q4 2024 report, when Income/Employment moves out of first place, Legal/Regulatory/Compliance has historically taken the top spot. That same pattern repeated in Q4 2025. There is no clear evidence of a major regulatory or policy change driving this quarter's increase; rather, the move appears to reflect documentation, disclosure, and timing pressures associated with a shifting product mix as refinance activity expands. Common drivers in this category include APR/rate-spread thresholds for QM-covered loans, points-and-fees calculations, HOEPA documentation, anti-predatory lending checks, missing or late-delivered disclosures, and amortization eligibility. As lenders move loans through workflows they have not exercised heavily in several years, the chance of a checked-box step being missed naturally increases.

Outside of Legal/Regulatory/Compliance, the majority of categories largely moved in a favorable direction quarter over quarter. Income/Employment declined 21% to 21.52%, Credit fell 29.12% to 5.38%, Insurance posted its third consecutive quarterly decline (-43.98% to 1.35%), Appraisal eased 22.03% to 2.69% (a second straight quarter of decline from its Q2 2025 spike), and Property Eligibility dropped 70.97% from its mid-year spike.

The other notable exceptions this quarter were Borrower/Mortgage Eligibility, Liabilities and Assets. While Liabilities and Assets have been on the rise for multiple consecutive quarters, the Borrower/Mortgage Eligibility category has fluctuated throughout the year. In fact, this was the most volatile category of 2025, swinging from 6.90% in Q1 to 15.87% in Q2, back to 6.90% in Q3, and up to 9.87% in Q4. Each swing aligned with a major product-mix pivot: FHA share growth in Q1, the cash-out refinance surge on Q2's equity-rich rebound to 47.4%, and Q4's historic flip to a refinance-majority market alongside a jump in VA share. This trend indicates that the Borrower/Mortgage Eligibility category acts as a key early indicator of how quickly eligibility controls respond to the loans moving through the pipeline. With refinance share likely to remain elevated into 2026, lenders should pay dedicated attention to this category in their QC reviews.

Liabilities marked its third straight quarter of increase by rising 24.83% to 10.76%. Common Liabilities issues include unpaid debts, monthly payments not properly calculated, undisclosed liabilities and mortgages, missing rental/housing payment documentation, and omissions of debt — all of which warrant continued scrutiny as borrower profiles grow more complex.

Meanwhile, Assets rose for the fourth straight quarter, increasing by 13.38% to 15.25%. The sub-category analysis within the “Big 4” categories not only sheds light on this trend but also outlines the most important storyline of Q4: a consistent migration toward eligibility-driven defects. Within Assets, Calculation/Analysis declined for the second consecutive quarter from 23.08% to 17.65% (-23.53%), and although Documentation remained the dominant subcategory of defects at 74.36%, it remained relatively flat from the prior quarter. Eligibility, however, surged from 2.56% to 8.82%, its highest level since Q4 2024 and roughly 3.4x the Q3 figure. For Income/Employment, Calculation/Analysis defects continued their decline, dropping 8.04% from 43.04% in Q3 to 39.58%, while Documentation was relatively flat. Eligibility climbed for the third consecutive quarter, increasing 43.93% from 10.13% to 14.58%. In the Credit category, Documentation defects continued the multi-quarter improvement that has defined 2025, declining by 47.61% from 31.82% to 16.67%, but that improvement came at the cost of a meaningful shift to Eligibility, which rose to the highest level observed in at least three years at 83.33%.

Taken together, the Q4 sub-category picture is a coherent one. Calculation methodology and documentation completeness are improving as lenders deploy and refine GSE-issued automation and validation tools. Where defects are still surfacing is at the eligibility decisioning step itself: assets being included that do not qualify under program rules; credit profiles where the borrower is on the edge of eligibility, doesn't meet non-traditional credit requirements or include derogatory events, unacceptable mortgage history, or other disqualifying items; and income sources that don't meet minimum history or stability thresholds. Each of these is consistent with borrowers stretching to qualify in a still-difficult affordability environment, and each is best addressed at the front end of the decisioning process rather than during post-close review.

Stepping back to the year-over-year picture, CY 2024 vs. CY 2025 reveals meaningful shifts across nearly every category in both directions, including what at first reads as a paradox. Appraisal is the clearest case: every 2025 quarterly reading came in below its 2024 counterpart, yet full-year share still rose from 4.72% to 6.98%. That is because the CY figure isn't an average of quarterly shares but rather each category's slice of the full-year defect pie. Thus, when other categories shrink faster or the overall defect count falls, a category's slice can grow even as its quarterly incidence declines. The same dynamic explains why several categories that improved on an absolute basis in 2025 still show year-over-year share increases.

Among the categories whose defect share contracted year over year, Assets posted the most meaningful improvement, falling to 11.63% from 22.90% (-49.21%). In addition, Legal/Regulatory/Compliance contracted sharply on a full-year basis to 2.33% from 9.27% (-74.87%), a notable result that places Q4's 24.66% spike against a much lower full-year baseline and reinforces that the category's volatility, rather than a sustained directional move. Loan Documentation declined to 9.30% from 16.43% (-43.40%), reflecting the multi-quarter documentation improvement noted earlier. Insurance also retreated to 2.33% from 2.62% (-11.07%), continuing the gradual normalization of the 2024 peaks. Conversely, Income/Employment remained the largest single contributor to defects for the year, rising to 34.88% from 27.63% (+26.24%) and reflecting the documentation completeness and eligibility decisioning pressures that defined 2025. Borrower/Mortgage Eligibility climbed to 11.63% from 2.97% (+291.58%), and Credit rose to 11.63% from 4.37% (+166.13%), both consistent with the migration toward eligibility-driven findings discussed in the sub-category analysis above and with borrowers stretching to qualify in a constrained affordability environment. Liabilities increased modestly to 9.30% from 8.04% (+15.67%), consistent with the multi-quarter climb that defined the category in the second half of the year. Appraisal rose to 6.98% from 4.72% (+47.88%). Given that Appraisal is the second-most-common GSE repurchase category after Income/Employment, it continues to warrant targeted QC attention that goes beyond workmanship and format checks to the substantive validity of the appraisal conclusion.

For QC programs, both the quarterly and annual trends are meaningful. They simply answer different questions. Quarter-over-quarter movement is the right lens for detecting operational drift and emerging issues, while year-over-year movement is the more reliable signal of structural change, smoothing quarterly noise and capturing the cumulative effect of factors like borrower stress, product mix, and underwriting policy shifts. The practical application is to use the year-over-year view to set annual QC plan priorities, such as sampling depth, audit scope, and pre-funding focus areas, while using the quarter-over-quarter view to adjust tactically. For example, categories like Appraisal, whose year-over-year share rose despite favorable quarterly trends, deserve sustained QC attention in 2026 even when the most recent quarter looks benign.

Critical Defects by Fannie Mae Category: Q4 2025

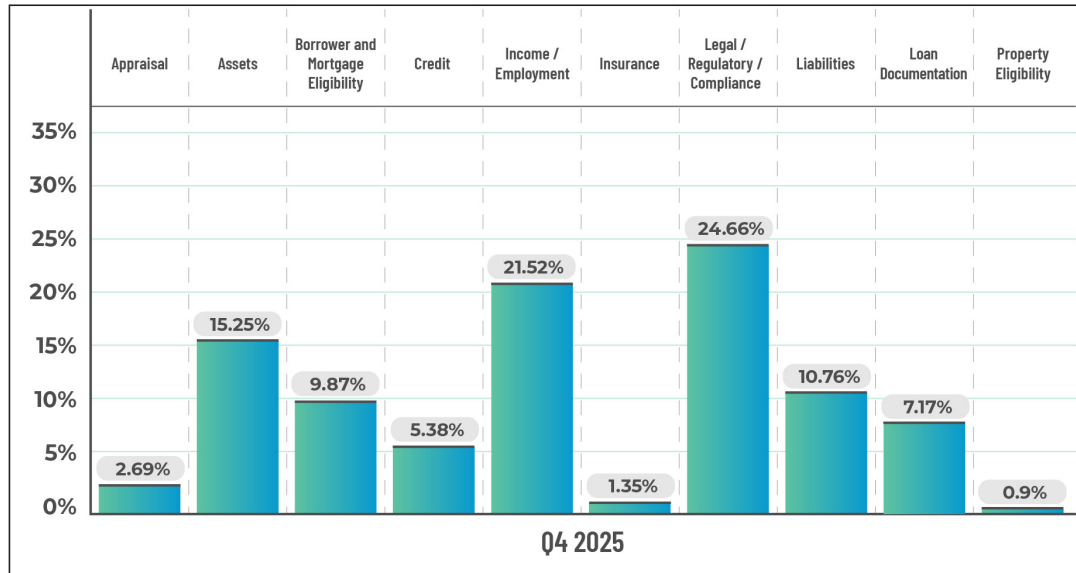


Figure 4 displays the dispersion of critical defects across Fannie Mae categories for Q4 2025. Please note that totals shown may not add up to 100%, as categories with negligible defects have been omitted.

Critical Defects by Fannie Mae Category: Q3 2025 vs. Q4 2025

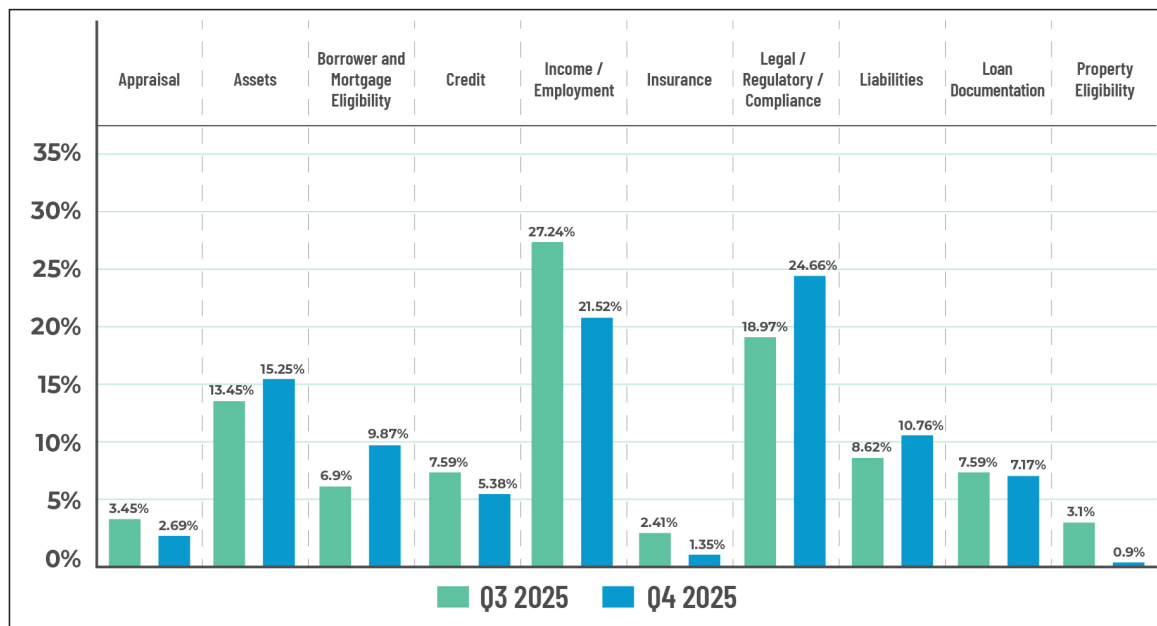


Figure 5 displays the critical defect rate by Fannie Mae category, comparing Q3 2025 to Q4 2025.

Critical Defects by Fannie Mae Underwriting Sub-Category: Q4 2025

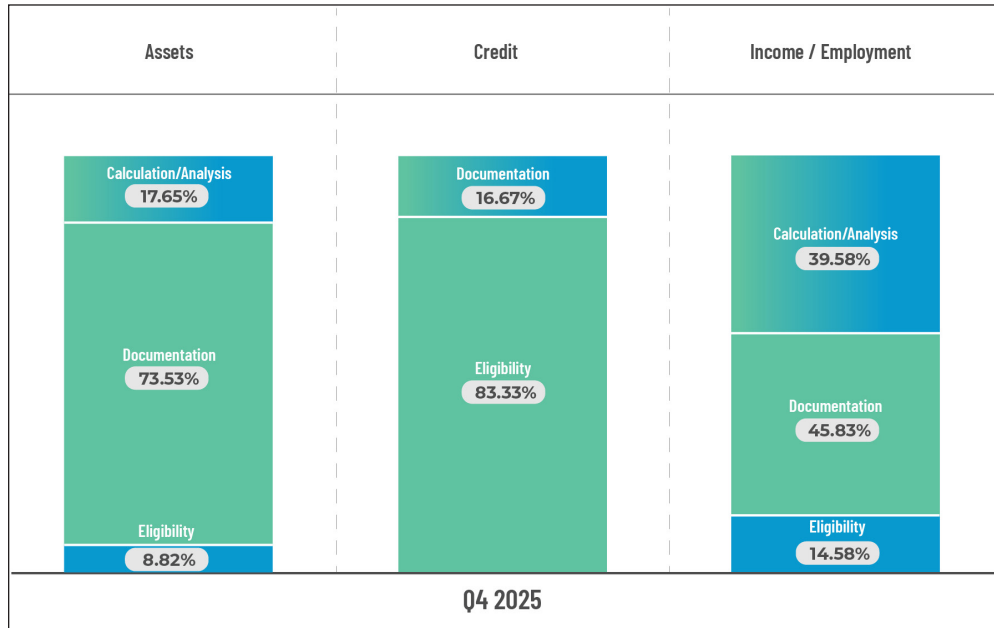


Figure 6 displays sub-category information for Q4 2025 within the Assets, Credit and Income/Employment categories.

Critical Defects by Fannie Mae Underwriting Sub-Category: Q3 2025 vs. Q4 2025



Figure 7 displays sub-category information within the Assets, Credit and Income/Employment categories, comparing Q3 2025 to Q4 2025.

Critical Defects by Fannie Mae: CY 2024 vs. CY 2025

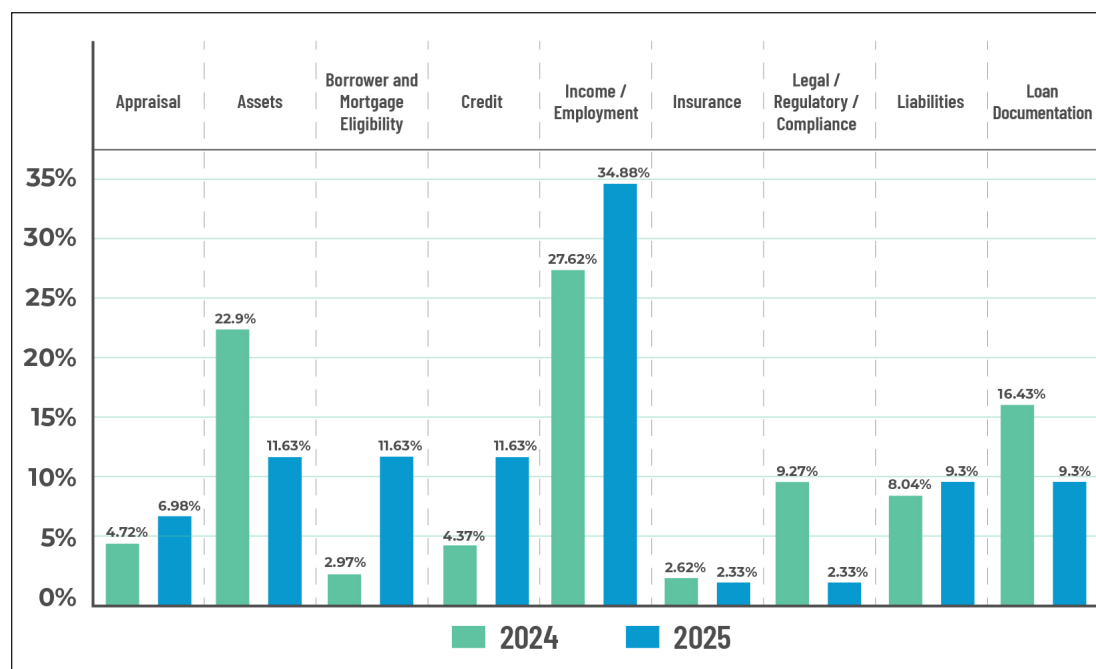


Figure 8 displays the critical defect rate by Fannie Mae category, comparing CY 2024 to CY 2025.

QC Trends by Loan Purpose

Loan purpose trends in Q4 2025 reflected the continuation and acceleration of a refinance share rebound that defined the back half of the year. Purchase review share declined from 80.95% in Q3 to 72.63% in Q4, the third consecutive quarterly decline, while refinance review share rose from 19.05% to 27.37% (+43.67%). On a market-wide basis, industry data indicates that refinance originations exceeded purchase originations for the first time in approximately four years during Q4 2025. ACES data still skews more heavily toward purchase activity, consistent with how customers select files for review, but the directional shift is unmistakable.

The defect picture told a more constructive story. Purchase defect share moved up only slightly from 62.65% to 63.16% (+0.81%), while refinance defect share declined from 37.35% to 36.84% (-1.37%), bringing the two categories to relative parity in Q4. After several quarters in which refinance defect share had outpaced refinance review share by a meaningful margin, this convergence is an encouraging sign that lenders are getting their arms around the operational complexity of a returning refinance segment.

On a full-year basis, the shift is more pronounced. CY 2025 purchase review share averaged 78.96%, down from 88.86% in CY 2024 (-11.14%), while refinance review share nearly doubled, rising from 11.14% to 21.04% (+88.87%). Defect share moved in the same direction: purchase defect share fell from 84.70% to 67.80% (-19.95%), and refinance defect share more than

doubled, rising from 15.30% to 32.20% (+110.46%). The widening gap between refinance review share and refinance defect share signals that quality oversight has not kept pace with the rising volume of refinances and is consistent with the broader story we have flagged throughout the year: returning refinance volume has come with operational drift in documentation timing, refresh requirements, and validation discipline.

As lenders enter 2026 with rates that have, at least intermittently, dipped below 6%, refinance share is likely to remain volatile but biased higher. Maintaining strong refinance-focused controls and documentation discipline will remain a critical balancing act for QC programs.

Defects by Loan Purpose: Q4 2025

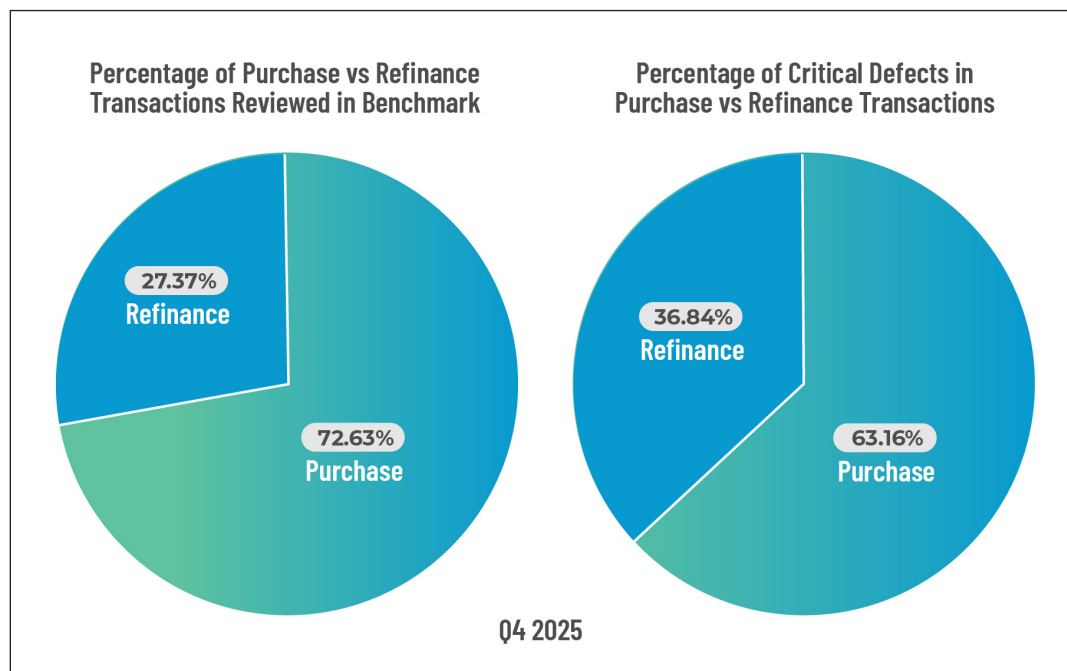


Figure 9 displays the loans reviewed and critical defects by loan purpose for Q4 2025.

Defects by Loan Purpose: CY 2025

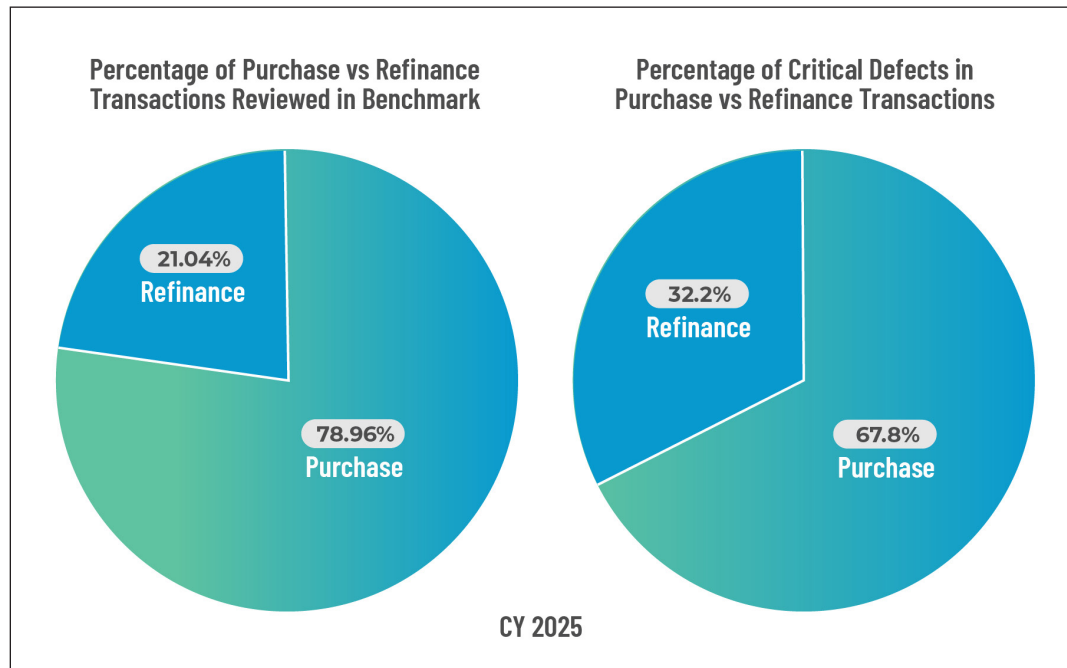


Figure 10 displays the loans reviewed and critical defects by loan purpose for CY 2025.

Refinance Review vs. Critical Defect Share: 2021-2025

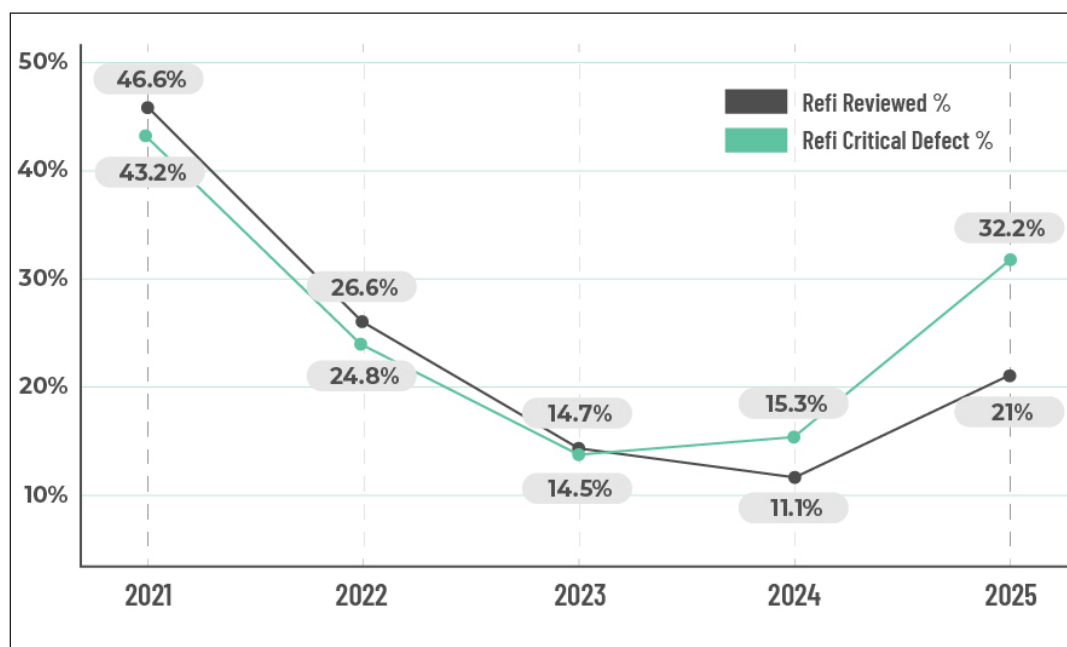


Figure 11 displays the annual refinance review and critical defect shares from 2021 to 2025.

QC Trends by Loan Product Type

Loan product trends in Q4 2025 continued a year-long pattern of stability for Conventional lending alongside more dynamic shifts in the government-insured segments. Conventional review share rose 2.01% quarter-over-quarter to 63.59%, the slow but steady recovery from a Q2 2025 dip. FHA review share was relatively flat at 23.17%, while VA review share ticked up modestly to 12.34%. USDA/RHS review share fell sharply (-49.14% to 0.89%). These figures indicate lenders are right-sizing review share relative to defect share, given that USDA/RHS defect share has remained below 1% since mid-2025.

On the defect side, Conventional defect share decreased to 55.43% (-3.06%), narrowing the gap between Conventional review and defect share but still leaving room for further calibration. FHA defect share rose modestly to 31.96% (+2.77%), remaining elevated relative to its share of review volume. VA defect share increased for the second consecutive quarter, this time rising from 12. % to 12.32%. This trend is a particularly important one to monitor given the elevated headline risk associated with VA lending. With more active duty servicemember deployments today than in much of recent history, scrutiny on VA-originated loans (including Servicemembers Civil Relief Act compliance) is likely to intensify, even though VA volume is comparatively small. USDA/RHS defect share fell to 0.29% (-59.72%).

On a full-year basis, Conventional review share was nearly unchanged at 62.79% (+0.64%), while FHA review share grew meaningfully to 24.02% (+19.21%) and VA review share declined to 11.70% (-24.56%). Defect-side trends were directionally similar to the prior year's pattern but with the FHA defect share ticking up: Conventional defect share declined to 58.25% (-3.53%), FHA defect share rose to 30.86% (+14.68%), VA defect share was nearly flat at 10.14% (-2.31%), and USDA/RHS defect share fell to 0.76% (-67.38%).

Taken together, the Q4 and CY 2025 product-type results suggest that QC strategies should remain segment-specific. Conventional performance is stable and broadly aligned with review share. FHA quality continues to deserve targeted focus, particularly as lenders absorb the impact of recent FHA program changes and elevated borrower stress in that segment. VA, while smaller in volume, has higher headline-risk implications and deserves vigilance, especially as its defect share has now risen for two consecutive quarters.

Defects by Loan Product Type: Q4 2025

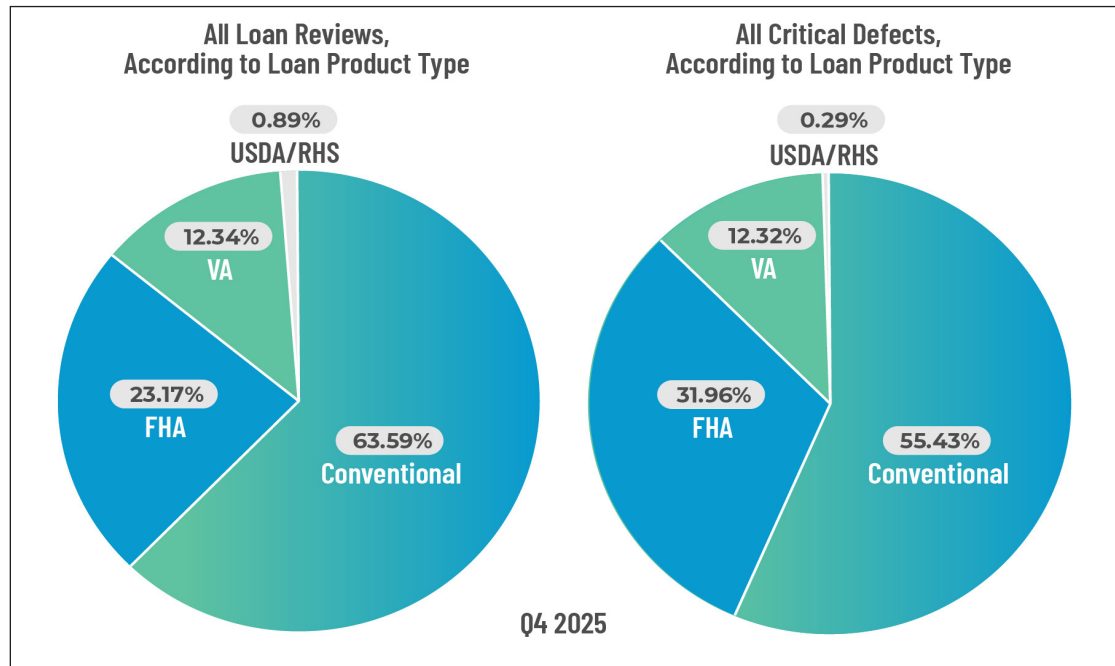


Figure 12 displays the loans reviewed and critical defects by loan type for Q4 2025.

Defects by Loan Product Type: CY 2025

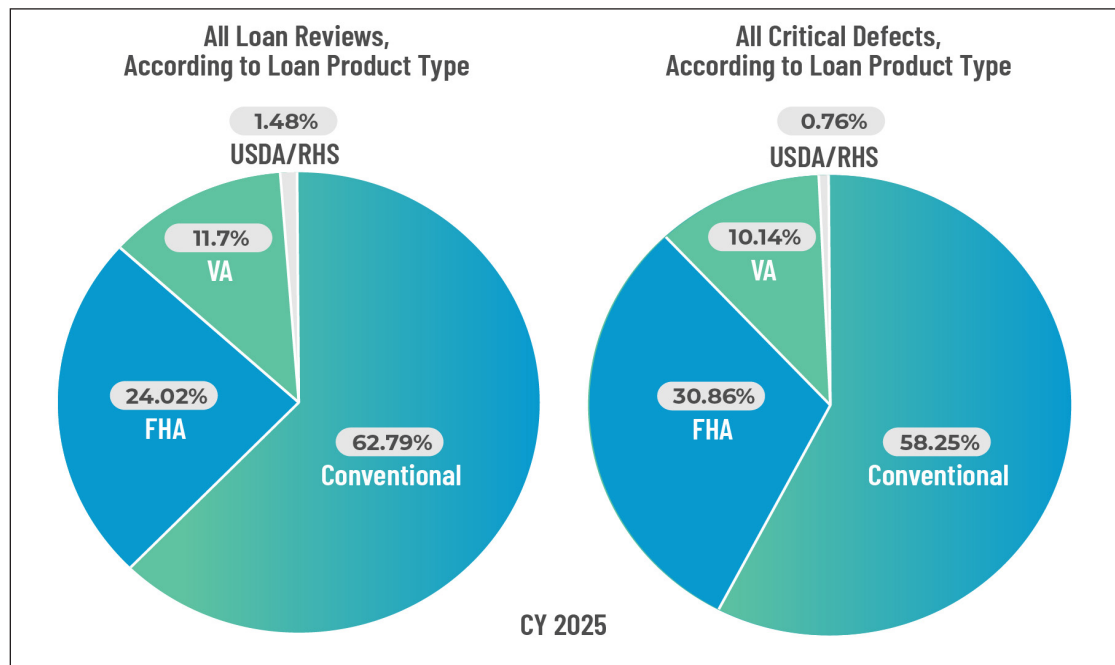


Figure 13 displays the loans reviewed and critical defects by loan type for CY 2025.

Critical Defect Share by Loan Product Type: 2021-2025

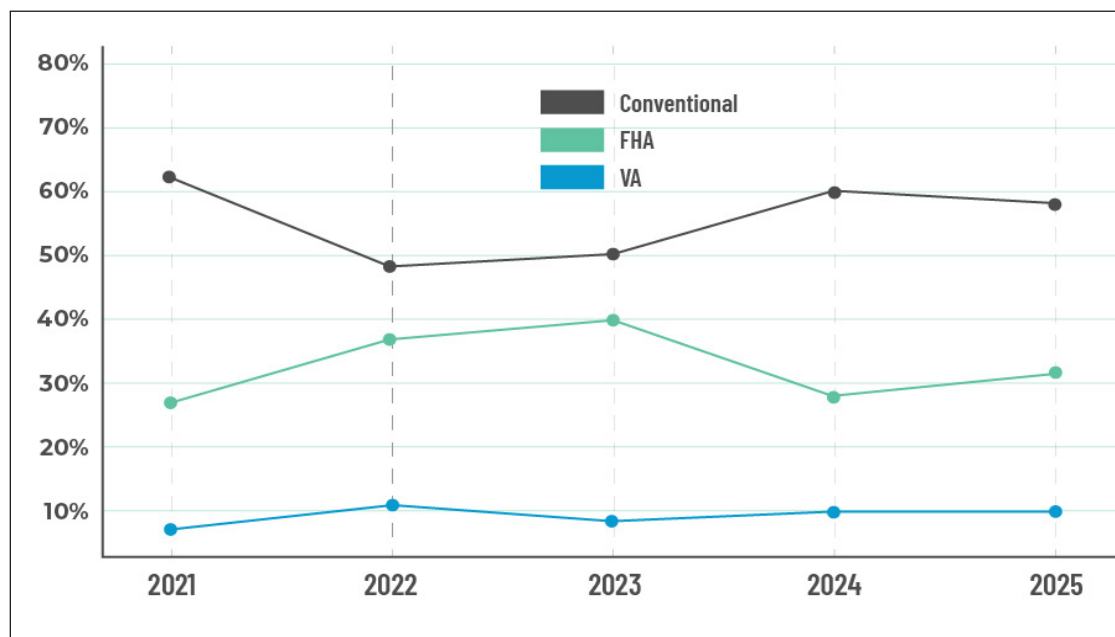


Figure 14 displays the loans reviewed and critical defects by loan type for CY 2025.

Economic Discussion

Q4 2025 closed a year characterized by significant macroeconomic volatility, ongoing affordability pressure, and an evolving rate environment. The 30-year fixed-rate mortgage opened 2025 at an elevated 6.91% (per Freddie Mac PMMS) and almost immediately climbed to a calendar-year peak of 7.04% during the week of January 19, 2025. Rates then declined steadily for the next two and a half months, troughing at 6.62% in early April before spiking back to 6.82% following the April 2 tariff “Liberation Day” announcement and the ensuing bond market volatility.

From May through July, rates held in a tight 6.72%–6.82% band as the Federal Reserve adopted a wait-and-see posture, having concluded its 2024 cutting cycle in late December 2024. The Fed ultimately delivered three additional cuts in 2025 in September, October, and December, which helped lenders finish the year on a strong note. Rates hit a calendar-year low of 6.15% during the last week of December and continued lower into early 2026, dropping to 5.98% on February 26, 2026. That marked the first sub-6% reading since 2022.

The combination of an improving rate backdrop and a steady release of pent-up demand drove the Q4 refinance rebound noted earlier in this report. Industry data indicates that, on a market-wide basis, refinance originations exceeded purchase originations in Q4 2025 for the first time in approximately four years, a meaningful signal that the refi engine is reawakening, even if total volume remains modest by historical standards.

Affordability nevertheless remained a defining headwind across the year. Elevated home prices, limited inventory, and rising insurance premiums in disaster-prone states (notably California, Texas, and Florida) continued to pressure debt-to-income ratios and influenced the Insurance and Borrower/Mortgage Eligibility findings highlighted earlier in this report. While Insurance defect share has improved meaningfully from its 2024 peaks, it remains an area where macro-level cost movements can quickly reintroduce defect pressure.

Lower rates supported a year-over-year increase in originations across the publicly traded lender cohort. Volumes were, on average, 13.6% higher than in 2024 across the lenders we tracked, based on their 10-K filings on SEC.gov. United Wholesale Mortgage remained the largest funder by volume, leveraging its high-volume, comparatively low-margin wholesale-only model. At the high end of the cohort, loanDepot posted the largest year-over-year increase at 22%. Meanwhile, Guild's 2025 volumes are estimated and reflect actual reporting only through Q3, as the lender was taken private by Bayview Asset Management in late 2025.

Ticker	Company	2023 Vol.	2024 Vol.	2025 Vol.
UWMC	United Wholesale Mortgage	\$108B	\$139B	\$163B
RKT	Rocket Companies	\$79B	\$101B	\$130B
LDI	loanDepot	\$23B	\$24B	\$26B
GHLD	Guild Holdings	\$15B	\$24B	\$27B

Table 1 shows origination volumes for the publicly traded lender cohort, as reported in each lender's 10-K filed with the SEC.

Gain-on-sale (GOS) margin, another central indicator of lender economics, produced a more mixed picture for the publicly traded cohort. UWM was the only lender in the group to post a year-over-year increase in GOS margin. The drivers of the more cautious GOS results varied by company and were heavily influenced by corporate strategy: Rocket cited acquisitions as a factor in its declining margins, while loanDepot's strategy prioritized margin recovery and cost discipline over volume expansion. On a positive note, GOS margins across the cohort remained higher than 2023 readings and are trending in the right direction overall.

Ticker	Company	2023 (bps)	2024 (bps)	2025 (bps)
UWMC	United Wholesale Mortgage	83	94	101
RKT	Rocket Companies	280	310	295
LDI	loanDepot	260	285	270
GHLD	Guild Holdings	350	375	360

Table 2 shows gain-on-sale margins for the publicly traded lender cohort, as reported in each lender's 10-K filed with the SEC.

Profitability tracked the volume gains. EBITDA across the publicly traded cohort improved dramatically over the past three years, with all four tracked lenders posting their highest EBITDA in three years in 2025. Rocket led the field at \$1.28 billion in 2025, up from \$862 million in 2024 and just \$66 million in 2023; the 2025 figure was boosted by Rocket's recent acquisitions of Mr. Cooper and Redfin, but even excluding those contributions, the company's organic EBITDA growth would have been substantial. UWM posted \$697 million (versus \$460 million in 2024 and \$478 million in 2023), Guild reached \$250 million (versus \$135 million and \$75 million), and LoanDepot recovered to \$122 million (versus \$84 million in 2024 and just \$6 million in 2023).

Ticker	Company	2023 EBITDA	2024 EBITDA	2025 EBITDA
UWMC	United Wholesale Mortgage	\$478M	\$459M	\$697M
RKT	Rocket Companies	\$66M	\$862M	\$1.28B
LDI	loanDepot	\$6.4M	\$83.7M	\$122M
GHLD	Guild Holdings	\$74.8 M	\$134M	\$249M

Table 3 displays full-year EBITDA for the publicly traded lender cohort from 2023 to 2025 as reported in each lender's 10-K filed with the SEC.

Lender consolidation accelerated in 2025, but the strategic logic shifted. While well-capitalized lenders continued to acquire less-capitalized competitors for market share, 2025 also brought what looks like an arms race to build "recapture machines" designed to ensure lenders can refinance their existing customer and servicing books during the next rate-cycle opportunity.

From a QC perspective, integration planning and execution typically follow deal announcements (policies, procedures, systems, vendors, training, leadership), and continued integration-related variability in Q4 production may have contributed to the ongoing pressure in Legal/Regulatory/Compliance and the eligibility-driven sub-category findings discussed earlier in this report.

Looking ahead, the combination of stable-to-improving GOS margins and a more constructive rate environment could turbocharge the economic side of mortgage lending in 2026, particularly if the recapture-minded acquisitions of 2025 begin to pay off. Counterbalancing that optimism, world events have a way of being a wild card, and a major Middle East conflict has already introduced fresh uncertainty in early 2026. As of press time for this report, lenders are beginning to release Q1 2026 results with early indications that 2025's strategic moves are starting to deliver, with more analysis to come in future reports. For QC programs, the implication is that continued investment in frameworks, automation, eligibility decisioning controls, and disciplined documentation refresh practices will be essential to sustaining 2025's quality gains as refinance volume and product mix continue to evolve.

Conclusion

Q4 2025 closed the year on a strong note, with the overall critical defect rate dropping to 1.38%, the lowest quarterly reading of 2025 and a reversal of three consecutive quarters of increase. Improvements were broad-based across the underwriting categories, with Income/Employment, Credit, and Insurance all posting double-digit declines. Legal/Regulatory/Compliance, Liabilities, and Assets all extended multi-quarter increases, with Legal/Regulatory/Compliance reclaiming the leading category position for only the second time since Q4 2024.

For CY 2025, the overall critical defect rate of 1.50% was essentially unchanged from CY 2024's 1.52%, even as the composition of defects shifted meaningfully throughout the year. The defining storyline was a migration toward eligibility-driven findings across the underwriting categories, consistent with borrowers stretching to qualify in a still-difficult affordability environment. Additionally, the return of refinance activity, with review share nearly doubling year-over-year and defect share more than doubling, signals that quality oversight has not kept pace with the return of refinance volume. By loan type, Conventional remained stable and dominant while FHA and VA continued to warrant targeted attention.

Heading into 2026, the mortgage industry enters from a stronger operational position than it has held in several years, but the structural pressures that defined 2025, including affordability, eligibility decisioning consistency, refinance-driven workflow complexity, and product-mix sensitivity, will not resolve overnight. As the refinance segment continues to grow and loan composition evolves, maintaining the disciplined documentation, validation, and eligibility controls that kept loan quality essentially flat in 2025 will be the foundation for converting this year's stability into next year's improvement.

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