Accenture’s deal to acquire the loan origination software company Mortgage Cadence is well timed. The mortgage refinancing boom is fading, mortgage rates remain low, new regulations emphasize mortgage quality and banks have gotten into hot water over their processing of mortgages.

With the deal for the privately held Mortgage Cadence, announced Monday, Accenture is building on its 2011 acquisition of the Charlotte mortgage processing company Zenta. Accenture hopes to become the largest end-to-end provider of mortgage services in the U.S., offering technology, business process outsourcing and software to banks.

“We see huge opportunity in the mortgage space,” says Terry Moore, global managing director of Accenture Credit Services, a unit that the consulting, technology and outsourcing company created in 2011. Accenture will use Mortgage Cadence's technology internally in its mortgage outsourcing business; it will also sell and support the software independently.

Asked why Accenture is expanding its mortgage technology business now, Moore says, “We’ve had a tremendous wave of refinance activity in the last couple of years that’s masked an inefficiency in the mortgage process that’s going to be important as the market shifts to purchase business.”

Accenture expects to see a 30% drop in refinancing as early as the second half of this year. “That’s going to put the challenge on the lenders to get their cost per loan down and get a much better customer experience,” Moore says. “If you look at the mortgage process today, it’s one of the most inefficient and un-customer-friendly experiences in business.”

According to Accenture Credit Services, it now takes the nation’s biggest mortgage lenders an average of more than 70 days to complete a refinance, up from 45 days two years ago.

“Nobody walks away from a mortgage transaction and says ‘Wow, that was one of the best experiences I’ve had,’ ” Moore says. “We’re attacking that issue. We believe that with Mortgage Cadence’s technology, we can drive significant improvement in the industry. We think the most efficient manufacturers in mortgage processing will be the winners.”

The current cost per file of mortgages cannot be sustained, Moore says.

“We think lenders are going to have to come up with solutions that meet QM requirements cost-effectively,” he says, referring to qualified mortgage rules stemming from Dodd-Frank. “The lenders we run across all say there’s an opportunity for better technology. Some of them have 15 systems that are all part of that mortgage process. Archaic technology drives data inconsistency and errors in the process that have to be taken care of. Loan quality hasn’t been higher in a long time; the end product is good but it’s awfully expensive to get it there. Automation can drive a more consistent high-quality loan on the front end.”
Mortgage documentation is another area due for an overhaul. “If you think about the amount of paperwork required for a loan, getting all those pieces of paper gathered with all the right data elements is a challenge for lenders,” Moore says. Mortgage Cadence provides documentation as well as loan origination.

With its purchase of Zenta, Accenture began offering business process outsourcing to banks that no longer wanted to handle all the grunt work behind mortgages. “When we made that acquisition, we made a pretty aggressive entrée into the mortgage business process outsourcing business,” Moore says. The operation provides processing, underwriting, closing and default services to the largest U.S. lenders. The outsourcing group has used banks’ own systems to process their loans, tapping into their programs through Citrix, but the outsourcing services staff would begin using Mortgage Cadence technology.

Accenture expects to close the deal within 30 days. The price was not disclosed. Accenture does not expect to lay off Mortgage Cadence employees. “Having Mortgage Cadence employees who have deep mortgage technology expertise adds to our capabilities,” Moore says.