

Securities analyst poised to help rebuild market

By John Rebchook, Rocky Mountain News



Javier Manzano / The Rocky

Sue Allon, at her Denver office, first got involved in mortgage-backed securities more than 20 years ago. She recently launched Allon Financial.

Sue Allon thinks her fledgling Denver-based company is uniquely positioned to be a big player in the oversight of the \$700 billion bailout package working its way through Congress.

"There are very few woman-owned businesses in this industry," said Allon, who launched Allon Financial, which analyzes pooled mortgages, about five months ago. "And very few people have had five years with the RTC and then all of the years I ran Murrayhill."

Allon's Murrayhill Co. had a \$137 billion bond portfolio under management in Denver before she sold it four years ago.

"I think the timing is right," Allon said. "We can help bring these assets back to life" by once again helping create a market for trading mortgage-backed securities.

Allon, 49, thinks the bailout package has a good chance of working. And she said she has the experience and knowledge to make sure Uncle Sam knows what it is buying when it starts to acquire the so-called "toxic loans" from banks. Her company's analysis of the underlying mortgages in a portfolio can give confidence to buyers, she said.

Frank Raiter, the retired managing director of Standard & Poor's Rating Group, agrees.

Allon and her team should be at the "top of the list" when Treasury Secretary Henry Paulson is looking for outside help for a bailout plan, said Raiter, who has known Allon, then Sue Ellis, since about 1995.

"Sue, with her experience and this new venture, would be ideally positioned to provide some significant service to whatever the bailout plan is," Raiter said in a phone interview on Friday morning.

"The government doesn't have this kind of expertise on its staff," Raiter said. "It is going to need to hire people from the outside."

The company, so new that it is renting temporary space in the Tabor Center before it moves into an office in LoDo, already has about a dozen clients, mostly New York City hedge funds interested in buying pools of mortgage-backed securities. Allon said she recently reviewed one portfolio of \$63 million and another of \$25 million in distressed loans for clients interested in acquiring them.

Allon was raised in Pueblo. After graduating from Colorado College in 1981 with a degree in economics - "I wanted to be on the President's Council of Economic Advisers" - she joined Pulte Mortgage Co. and became involved with some of the first private-label-packaged mortgage securities in the nation.

"I found I had a passion for that kind of security," Allon said. "I saw it as an emerging business with no boundaries."

Along the way she received a master's degree in accounting from the University of Denver and an MBA from Dartmouth's Tuck School of Business.

She "got a taste of Wall Street." Then came "Black Monday" in October 1987, when the stock market crashed.

"Some of my classmates at Tuck got great offers from Wall Street firms, and (the firms) told them to keep the bonuses but they had no jobs for them," Allon said.

She went to work for the accounting firm Coopers & Lybrand, where she was in charge of business development for its Resolution Trust Corp. asset- management practice. The RTC was the government agency created to dispose of the assets of failed savings and loans and has been used as a template for the latest bailout plan.

"Coopers & Lybrand became the largest contractor for the RTC at that time," she said.

After that she joined Asset Investors, a real estate investment trust owned by MDC Holdings, parent of Richmond American Homes, which was described at the time as the most complicated company on Wall Street. It managed high-yield bonds backed by residential and commercial real estate loans, while most REITs simply owned properties.

"At Asset Investors, I got the idea for Murrayhill," which provided analytics and risk management for the fixed-income industry, focusing primarily on mortgage-backed securities.

"We ended up with \$137 billion in assets under management," Allon said.

She realized she couldn't expand the company, so she sold it to a private equity firm, TA Investments, in 2004. TA also bought another, larger company, Clayton Holdings, and merged them. Allon was on the board of Clayton, but stepped down in 2005.

"I didn't have any type of noncompete agreement," Allon said. "I have just sort of been waiting and watching for an opportunity to arise."