

Friday, March 27, 2009

Allonhill Offers New Due Diligence Service

Denver-based **Allonhill**, formerly called **Allon Financial**, has launched a service aimed at changing the way due diligence is provided by speeding up the completion of sales of mortgage pools and providing more in-depth analysis. While the embedded due diligence service was started at the beginning of the year, deals only started to surface over the past three weeks as the market got wind the **Treasury** was going to buy distressed loans and securities, said **Sue Allon**, chief executive.

Now when a seller sells off a pool of loans, each bidder submits a preliminary bid for the loans based on a superficial amount of information on the pool. Then each bidder hires a due diligence provider to check further the characteristics of the pool. The bidders then return with a final price. The process takes about two weeks and leaves lenders open to the risk of fade, where a bidder lowers his price for a pool or only wants a portion of the loans. It also leaves the bidders with varying amounts of information, as some may want to pay for less due diligence than others.

With embedded due diligence, the seller would hire Allonhill to provide the due diligence upfront. The cost would be shared among the bidders and Allonhill would provide one in-depth review of the loans. That way the bidders would have all the necessary information to place their final bids. This would tighten up the sale process to one week, given that the bidders would still need to review the data, Allon said. It would also take out the risk that potential buyers would lower their prices or not take the whole pool. And, with greater information at the time of sale, buyers could parcel up the pool and modify nonperforming loans to get them performing again.

Allon said such in-depth due diligence files could also be attached to mortgage-backed securitizations for investors' review. Likewise, she said she could also envision a subscription service that would provide much more data on the loans' ongoing performance than is currently available.