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Aiming to Help Smaller Players with MBS Data, Technology

By Bonnie Sinnock

A lot of small, startup hedge funds that have emerged in the wake of the financial crisis lack the resources to buy the kind of pricey mortgage data and technology that the bigger Wall Street players use and Tom DeLorenzo thinks he can help them with that.

Mr. DeLorenzo, managing partner of MBSData LLC, said he has been tailoring his offerings for smaller shops with staffs of 10 to 15 in size that may not have the financial resources to build the customized technology they need to handle their data in-house.

But he also will sell his data to larger players as well.

As the recent crisis shows, the more expensive alternatives aren't necessarily better, he said.

"A lot of people spent a lot of money before and didn't get anywhere," said Mr. DeLorenzo. "There has to be a better way."

The MBSData executive has a wide range of mortgage capital markets experience that lends itself to his latest endeavor.

He originally was involved with an agency short-term prepayment modeling service. Later, he was involved in Mortgage Risk Assessment Corp., which dealt in nonagency mortgage-backed securities systems. There, he was involved in the creation of automated valuation models and home price indices. The business was eventually sold to Basis100 and then First American.

He describes his experience as ranging from, for example, using AVMs for what today would be considered the relatively simple task of examining loans from the mid-1990s Walsh Securities fraud to check for land flips, to much broader and complex involvement in the industry that extends into other aspects of mortgage origination, servicing and secondary markets.

Mr. DeLorenzo said his company's data is in place but he's still looking for feedback on how it should be presented to best serve prospective clients.

"Each client's going to be different," he said.

The MBSData executive said he will sell the information "as is" but clients don't have to buy it that way.

"We'll change it to what you want," he said, adding that there is no extra charge for this and it avoids the need to hire programmers to input it into models.

"We want to provide cradle-to-grave analysis without any extra cost," he said. "We try to do everything at the loan level."

When we talked, Mr. DeLorenzo said he already had a dozen investment firms testing the system and providing feedback and was anticipating more.

"The hard part was the data, that's already built," he said.

Currently the company is working more on "the application on the front end and the customer getting used to a different data source and customizing it for them," Mr. DeLorenzo said.

"We give them a trial period to get comfortable with it before they sign up and start paying."

The data comes in the form of a "basic default cash-flow model," but the company can customize it for clients in a relatively short amount of time, he said, noting that the company can help with download facilities that will process search criteria and download the segment of data clients need.

Mr. DeLorenzo indicated he has several contacts in various niches of the mortgage data and analytics business and his company's plans may include some joint venture partnerships aimed at improving its offerings in the future.