FINAL TRANSCRIPT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Walker & Dunlop Q3 2011 earnings call. During the presentation all participants will be in a listen-only mode. Afterwards, we will conduct a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded on Thursday, November 10, 2011. I would now like to turn the conference over to Claire Harvey, Vice President of Investor Relations. Please go ahead.

Claire Harvey - *Walker & Dunlop Inc - VP, IR*

Thank you. Good morning, everyone. Thank you for joining Walker & Dunlop third quarter 2011 earnings call. Joining me this morning are Willy Walker, our Chairman, President and Chief Executive Officer, and Debbie Wilson, our Executive Vice President and Chief Financial Officer.

This call is being webcast live on our website and a recording will be available later this morning. Our earnings press release and website provide details on accessing the archived call. We have posted a presentation on our website this morning that provides additional detail on certain topics which will be referred to during our prepared remarks this morning. Investors are urged to carefully read the forward-looking statements language in our earnings release. Statements made on this call which are not historical facts may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements, including statements regarding future financial operating results, involve risks, uncertainties and contingencies, many of which are beyond the control of Walker & Dunlop and which may cause actual results to differ materially from anticipated results. Walker & Dunlop is under no obligation to update or our alter forward-looking statements whether as a result of new information, future events or otherwise. We expressly disclaim any obligation to do so. More detailed information about risk factors can be found in our reports on file with the SEC. I'll now turn the call over to Willy.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Thank you, Claire. Before I begin my prepared remarks, Claire is about nine months pregnant with her second child and we've all been waiting or hoping that she didn't give birth before earnings call so, Claire, thank you for making it to this day and good luck and great joy in the delivery of your second child.

Good morning and thank you all for joining us. I'm happy to once again to be reporting a strong quarter for Walker & Dunlop that included significant growth in loan origination volumes and revenues, strong profit margins and exceptional credit performance. Our loan originations were $906.7 million in the third quarter, up 104% over the third quarter of 2010. Revenues were $33.4 million in the quarter, up 50% over Q3 2010. We generated solid operating and net income margins of 29% and 18% respectively for the quarter.

On the credit side we had no loans 60 days or more delinquent as of September 30, 2011. As we've said since we went public, we encourage our investors to evaluate our performance on an annual basis. Our 2011 year-to-date results show year-on-year revenue growth in a highly competitive market and sustained profitability despite the additional costs of being a Public Company. Loan originations of $2.7 billion are up 30% over 2010 year-to-date volumes. Total revenues of $104.8 million are up 22% over the same period in 2010. Operating margin year-to-date it 37% versus 34% in 2010 and our net income margin is 23% versus pro forma net income margin of 21% in 2010. I would note that I used pro forma net income for 2010 in that comparison due to the change in the Company's tax status as a result of our IPO. Based on our year-to-date performance and outlook for the remainder of 2011 we are reaffirming our annual origination guidance of $3.5 billion to $4.25 billion.

I would like to take a moment to discuss the current market conditions and then turn to Walker & Dunlop's mission and strategic and initiatives. Business was very strong in the second quarter of 2011 with life insurance companies originating a record volume of commercial real estate loans, CMBS issuers surpassing full-year 2010 origination totals before the end of the second quarter and the global economy appearing to be headed towards a slow, sustained recovery. But in late July and early August the world changed and it changed dramatically. Goldman Sachs' $1.2 billion CMBS offering did not get rated by S&P in late July followed by the United States debt ceiling crises in early August.

With the equity markets gyrating, treasury yields plummeted, consumer confidence crashed, and the commercial real estate transaction market ceased. There was a 15% decline in commercial property sales of third quarter and into the second quarter of 2011, the biggest decline since the first quarter of 2009. During that same period of time, however, the cost of debt was low and most of Walker & Dunlop's customers continued forward with their financings. That is one of the benefits focus on commercial real estate finance rather than commercial real estate services such as leasing, investment sales and property management which are largely driven by macroeconomic conditions. Financing, however, is primarily driven off of maturity dates which are typically every 10 years.

As I mentioned previously, life insurance companies at a record second quarter and we expect the origination numbers will show an equally active third quarter. The CMBS market, starting with the gold in deal exacerbated by the US debt ceiling crisis, essentially frozen in the third quarter and is unlikely to regain much speed in 2011. It was estimated that CMBS would provide $40 billion of capital to commercial real estate and 2011. That number is now being revised to somewhere between $20 billion and $30 billion.

Fannie Mae and Freddie Mac continue to supply a significant capital to multifamily and is our sense that Fannie and Freddie will supply between $40 billion and $50 billion of capital and 2011. HUD supplied over $13 billion of capital commercial real estate over the past year, a record.

Finally, banks continue to lend but generally speaking only on shorter duration loans with floating interest rates. I expect that during the remainder of 2011 and into the first part of 2012 we are going to see a continuation of the current competitive landscape where the agencies are lending, banks for trying to understand the regulatory landscape and deploy short-term floating rate debt, life companies continue to actively lend, and CMBS exists but not as a major market force. This landscape allows Walker & Dunlop to do what we do best, grow our agency lending business with limited pricing pressure from other sources of capital and expand our business into new areas of lending as a publicly traded non-bank finance company.

Let me turn for a moment to Walker & Dunlop's mission which is to be the premier commercial real estate finance company in the United States. First, it should be noted that Walker & Dunlop will maintain its focus on finance and not commercial real estate services. Second, our mission is not to be the biggest but rather the best. We currently compete against many institutions that are much bigger than Walker & Dunlop. Our mission is not to surpass their size and scale but rather to surpass their service and expertise.

Finally, our mission is to grow significantly within the United States and not internationally. The US commercial real estate market is a $3.1 trillion market. If the annual refinancing opportunity is roughly $310 billion due to the majority of the debt outstanding being 10 year paper, Walker & Dunlop finished 2010 with a 1% market share and ranked as the 11th largest commercial real estate lender in the country. There is a massive growth opportunity for our Company right here in the United States.

To pursue our mission and we will continue executing on our strategic plan which has of 3 major initiatives. First, we aim to be a top-5 lender for Fannie Mae, Freddie Mac and HUD. We are solidly in the top 5 in the Fannie Mae lead tables and we need to add roughly $350 million to $500 million of annual origination volumes with both Freddie Mac and HUD to be in the top 5 with these 2 agencies. In order to facilitate this will continue to focus on adding origination talent in all 3 executions. The relationship with formed with Cushman & Wakefield earlier this year to tie multi-family investment sales with our agency loan origination business should also help us achieve the objective of being a top-5 lender with Fannie, Freddie, and HUD. Similarly, the Interim Loan Program launched at the beginning of Q3 to finance non-stabilized multifamily assets that will later be financed with permanent loans from Fannie and Freddie is yet another initiative that will further the strategic initiative.

Second, we will build out our capital markets business across the country to capture more deal flow and broaden our sources of capital. To be clear, we have no intention of becoming simply a brokerage firm which would require significantly higher origination volumes to produce a lower margins and similar earnings as our current business. With that said, adding several billion dollars of originations will expand our capital sources and provide us with access to deal flow for our current agency products and any future proprietary sources of capital.

Third, we want to add proprietary sources of capital to Walker & Dunlop to allow us to lend on non-multifamily assets with capital we control and take risks with. There are many ways to raise or acquire this capital and we're focused on doing that over the next year. If we are successful in pursuit of this strategy, we will diversify Walker & Dunlop sources of capital and establish a proprietary funding source for non-multifamily assets.

Let me turn for a second to the issue of Fannie Mae and Freddie Mac's future. As I mentioned before, through the first half of the year there was a significant activity on Capitol Hill to push through transformative legislation on Fannie Mae and Freddie Mac. Those efforts subsided during the third quarter largely due to the debt ceiling crisis.

Whether it is the current legislation backed by both Democrats and Republicans to raise the single family conforming loan level back over $700,000 or the chairman of the Senate Banking Committee stating last week that his committee would not consider any reform measures to Fannie Mae and Freddie Mac until 2013. It is our continued view that little will happen to Fannie and Freddie anytime soon from a legislative perspective. However, there is a tremendous amount of change taking place within the 2 organizations that may impact our business going forward.

First, the chairman along with the CEO of Freddie Mac both just announced they are leaving in the coming year. Ed Haldeman's departure of CEO of Freddie Mac is very disappointing as Mr. Haldeman has been a very effective steward of Freddie Mac through exceptionally difficult times. At Fannie Mae it was recently announced that several key members of their multifamily business are on paid leave during Inspector General investigation.

Although Fannie and Freddie appear to be here for quite some time to come, legislators on Capitol Hill do not realize that exceptional [humanal] capital is leading the agencies while they remain in a state of limbo. Despite Capitol Hill's inability to act, both Fannie and Freddie continue to be the dominant sources of capital for multifamily real estate financing. Their multifamily business models are strong, profitable and in the case of Fannie Mae's DUS Program placed private capital ahead of government capital in the incidents of loan losses.

Fannie Mae's DUS model is an excellent public-private partnership and having the loan originator hold the first loss exposure on the loans they originate is a model that should exist in all mortgage securitization markets. We as taxpayers who own Fannie Mae and Freddie Mac should demand a plan of action from Congress to ensure we maintain the necessary human capital at Fannie Mae and Freddie Mac to continue providing this fundamental source of capital to America's rental housing. Let me now turn the call over to Debbie to walk you through our third quarter financial performance in more detail. Debbie.

Debbie Wilson - *Walker & Dunlop Inc - EVP, CFO & Treasurer*

Thank you, Willy. Let me start my remarks today with the high-level take-aways from the third quarter. I will then provide a more detailed look at our Q3 11 results and our year-to-date financial performance before I touch on some areas of focus going into 2012.

Our 2011 in Q3 and year-to-date growth has been significant. The third quarter delivered a 104% increase in origination volumes over Q3 2010, a 50% increase in revenues and a 37% increase in income from operations. Net income for Q3 2011 was $6.1 million or $0.28 per diluted share, a 39% increase over the comparable pro forma net income of $4.4 million for Q3 2010.

On a year-to-date basis origination volumes grew 30% and represent 86% of full-year 2010 origination volumes. Income from operations grew 31% and represent 96% of full year 2010 income from operations. We generated an operating margin of 37% for the nine months ended September 30, 2011, compared to 34% for the same period last year and we continue to expect to end the year with an operating margin in the mid-30%. The growth of these key quarterly and annual financial metrics is emblematic of our business continuing to perform across-the-board.

Gains from mortgage banking activities, our origination related revenues were $21.6 million in Q3 2011, a 75% increase from $12.3 million in Q3 2010. Our average gains from mortgage banking activities as a percentage of loan originations was 238 basis points in Q3 2011 down from 278 basis points in Q3 2010.

I would like to take a moment to elaborate on this statistic does it varies based on the mix of products, the average loan size and the movement in average fees. The 2 components of gains from mortgage banking activities our origination related fees and gains attributable to Mortgage Servicing Rights, or MSRs. Origination related fees were 107 basis points in Q3 2011 down from 115 basis points in Q3 2010. MSRs were 131 basis points in Q3 2011 down from 163 basis points in Q3 2010. This quarter, 31% of our originations were from capital markets and affected both the average origination related fee and MSR. We recognize MSRs only on our GSE and HUD originations but not the capital markets origination. Therefore, it is helpful to look at MSR as a percentage of the GSE and HUD volumes on which we actually recognize MSR's instead of as a percentage of all originations.

If we remove the Q3 capital markets originations from the MSR calculation MSR as a percentage of the GSE and HUD volume were 190 basis points in Q3 2011 compared to 181 basis points in Q3 2010. This illustrates that we have not seen MSR degradation in our GSE and HUD originations.

The growth and originations continue to drive the sustained growth in our servicing portfolio and associated revenues that were $8.8 million in Q3 2011, a 25% increase from $7 million in Q3 2010. Over the past year our servicing portfolio has grown 13% to approximately $15.9 billion and the weighted average servicing fee has grown 10% to 22 basis points at September 30, 2011. Servicing fees represented 26% of revenues in Q3 2011 and as of September 30, 2011, 93% of the servicing fees are protected from prepayment risk due to make-whole requirements. The servicing portfolio currently has a weighted average remaining life of 8.4 years.

Let me now turn to expenses which were $23.7 million in Q3 2011, a 57% increase over Q3 2010. The largest component of our cost structure is personnel expense, much of which is variable due to the commission and bonus-based structure of our compensation. Personnel expense was $11.3 million in Q3 2011 compared to $5.5 million in Q3 2010, a 108% increase. The increase was primarily driven by a significant growth in originations and associated commissions and changes in competition agreement that resulted in a $2 million reduction in compensation expense in Q3 2010. As a percentage of revenues, personnel expense was 34% in Q3 2011 and we expect that we will finish the year with personnel expenses between 35% and 36% of total revenue.

The credit statistics of our at-risk portfolio remain very strong. We had no loans that were 60 plus days delinquent at September 30, 2011, a substantial decline from the peak of 1.64% of our at-risk portfolio and June 30, 2010. 60 plus delinquencies have continued to decrease and the economy has slowly recovered.

The provision for re-sharing obligations reflects our quarterly estimate of the portion of losses we will incur on specific loans that have or we expect will default. During Q3 2011 we recorded a $937,000 provision for re-sharing obligations or 0.01% of the at-risk portfolio and a 48% decrease over Q3 2010. During Q3 2011 we had net write offs of $680,000. Since the $680,000 write off is the first as our Public Company, I would like to clarify how losses flow through our financial statements.

We report 60 plus day that delinquencies as an early indicator of portfolio health. When a low defaults or is likely to default we establish a provision and take the loss in our income statement. A year or two later once the property has been disposed of, we settle up with Fannie Mae and we write off the settlement against the allowance. The settlement is when we pay out most of the cash losses but the settlement has no impact on our income statement.

Before I close, I'd like to touch on some of the business and financial performance drivers we are focused on in 2012. To date we have not seen a significant change in our loan origination fees. However, due to our focus on the growth of the capital market platform and the possibility of originating larger loans with Fannie Mae and Freddie Mac due to our market position, there may be a moderate compression of our average origination fee in 2012.

Our continued investment to grow the Company, hire and retain exceptional talent will likely increase both aggregate compensation expense and the compensation expenses as a percentage of total revenues. We are still targeting or smell expenses as a percentage of revenue in the mid-30%, but investors should note that our growth will require additional compensation expense.

While we have experienced excellent credit performance year-to-date and are very pleased to have it no loans 60 plus days delinquent at September 30, 2011, we are by no means immune from future losses in our portfolio. Credit losses are a normal part of our business and although our credit performance has been exceptional we expect to incur losses in line with historic averages over the past five years.

The Fed's announcement in August that it would maintain short-term rates and near zero for at least two more years will have an impact on our gains attributable to MSRs. A portion of the value of MSRs is driven by earnings on our escrow deposits. With escrow earnings at record lows, we will see a slight reduction in the value of MSRs.

In summary, I'm very pleased with the Company's financial results for the quarter and year to date. And, with that, I will turn it back to Willy.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Thanks, Debbie. As Debbie discussed, our Q3 and year-to-date results are very strong and position the Company well for continued growth and profitability. We're in the midst of a busy fourth quarter and also planning for our 2012 growth.

In looking at the market in 2012 it is estimated that between $500 billion and $570 billion of commercial real estate loans will need to be refinanced. To meet that demand for capital lenders will need to repeat 2007 when they put out a $518 billion of capital to commercial real estate. Yet, if we assume that banks, life insurance companies and the agencies take their same market share in 2012 that they took in 2007, the market will be significantly capital constrained as CMBS supplied $230 billion of capital to commercial real estate in 2007 and will likely only supply $50 billion in 2012.

So where does the $180 billion of capital come from to make up for the CMBS shortfall? I don't have the answer to that question, but I do know that for a commercial real estate finance company like Walker & Dunlop that these aggregate market demand numbers will make 2012 a very busy year. With that, I would like to open the line for any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Will Marks. Please proceed with your question.

William Marks - *JMP Securities - Analyst*

Thank you. Good morning, Willy. Good morning, Debbie. I want to maybe start with the Cushman & Wakefield relationship and I don't know if you probably can't quantify but maybe discuss in a little more detail on how things are going there.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Will, we don't, as you see, we didn't break out originations through that relationship. So there is no, if you will, material data to report on that. We continue to focus on it and go to market with the Cushman brokers and when we do have something discrete to report on that, we certainly will. So it is up and going. We are focused on it across the country with them and hoping to get some significant traction there.

William Marks - *JMP Securities - Analyst*

Great. Thanks. And next can you just talk about hiring trends in general. We see certain firms struggling in that regard, certain firms being more aggressive and just tell us a little bit about what you are doing?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

So it is a very competitive landscape for human capital right now in our marketplace. As you know, we added some origination talent on the west coast during the third quarter. You will see additional announcements from us in the future as it relates to new hires and I just say that it is an interesting time. There are certain institutions that are growing and doing well at this time in the cycle, there are others that are standing still and there are others that are struggling. I think there's a lot of origination talent is trying to figure out what platform they want to be on going forward. I believe that Walker & Dunlop's first three quarters as a public company demonstrate our growth and the, if you will, the vibrance of our platform and that has been very helpful in recruiting new origination talent.

Operator

Our next question comes from Brandon Dobell. Please proceed with your question.

Brandon Dobell - *William Blair & Company - Analyst*

Good morning. Thanks. Maybe a quick question on the expense structure in 2012. Is that more of a function of hiring support personnel in advance of growth, that kind of expense growth, or do you anticipate having to pay up on commissions and splits to hire new talent either in capital markets or in the origination business?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

It's a little of both, Brandon, and good morning to you. Clearly as we continue to grow origination volumes there is a need for underwriters, closers, asset managers, all of the, if you will, the support personnel that allow our originations to happen and get processed efficiently. There is also the component of bringing in talent where in some cases as you know from our industry many people have books of business they are leaving behind at their existing employer and so sometimes you have to buy them out of that book of business and so that requires a payment. Other times there is a signing bonus, and so you will see some of those types of payments start to run through the P&L as we bring on additional origination talent.

Brandon Dobell - *William Blair & Company - Analyst*

Okay. And then with credit statistics being as strong as they are, not sure what the right way to ask this question is, but one way to look at it would be you are too focused on the very good loans or you have done too good a job as an opportunity to step out in the risk curve a little bit, that inflection point between credit quality and market opportunity. Maybe some color on your philosophy around where that number should be to balance growth and risk.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

So when we were almost acquired by a major investment bank back in 2007 and they were doing due diligence on us one of the bankers looked at me and said your credit statistics are too good. You guys need to take more risk and if you come on to this investment bank we'll show you how to really take risk. And I'm very pleased that we didn't do that deal nor did we take on additional risk given what happened in 2008, 2009 and 2010.

With that said, as you well know Brandon, we only take risk on the deals that we do with Fannie Mae. And so that -- so on Freddie and HUD even if we wanted to take risk we can't take risk. And so in the Fannie Mae world we have maintained extremely disciplined credit and you might say we have passed away deal flow but given the growth of our both origination volumes as well as our top line, I'd hope you would agree that we have grown very well and have gotten our fair share of the deals that we want to do.

I think the most important piece is, as I mentioned in my comments, we are very much looking to raise capital to be able to go put capital out into non-multifamily assets. And in that business line will apply the exact same credit discipline that we've applied to our Fannie Mae business and is our great hope that the investors that we go to raise that capital will have great confidence that Walker & Dunlap will be stewards of their capital just as we've been great stewards of Fannie Mae's capital.

Brandon Dobell - *William Blair & Company - Analyst*

And then one final one. In the capital markets origination line this quarter, nice year-on-year growth well above what we had looked for, maybe some color on what kind of momentum you're getting on that line outside of multifamily or is it still really just different capital sources but in a multifamily space?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

It's been predominately life insurance companies that have been the sources of capital there so as it relates to CMBS basically as I said it froze in Q3 as you well know from some of the other companies that you cover. In our capital markets group less than 10% of year-to-date originations have been with CMBS and if you put that across the entire company, less than 2% of our aggregate originations have been with CMBS year-to-date, so we do not have great exposure to, if you will, a slowing down CMBS originations. With that said, any type volume or velocity that CMBS can gain over the coming quarters is another source of capital for the commercial real estate and as I pointed out in my closing comments I believe this market will be capital constrained in 2012.

So I think that if you look at it, the momentum we see in our capital markets group is predominately with life insurance companies as sources of capital. As you also know that group put out is focused in the mid-Atlantic region. So for us to go and add capital market execution across our seven regional offices is something we are focused on. And, with that, we would also look to expanding the life insurance companies that we are correspondents with today to be able to add new relationships and new sources of capital.

Brandon Dobell - *William Blair & Company - Analyst*

Okay. Great. Thanks a lot. Appreciate it.

Operator

Our next question comes from the line of Bose George. Please proceed with your question.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Good morning. Had a couple of questions. First on your origination guidance for 2011. You left that unchanged and pretty wide despite just about seven weeks now to the end of the year. Can you help us understand that? Are there some large loans that might get pushed out into next year or any other color on that?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Those -- we thought you'd ask that. We didn't -- here was the thinking. As we went to giving origination guidance on an annual basis and then broke it down by quarter we put that out there so that investors would see, if you will, some of the cyclicality that we have on a quarterly basis as it relates to our origination volumes and as we have shown throughout the year going from $509 million originations in Q1 to $1.2 billion in Q2 and now $907 million in Q3 that I think that you all are looking at this as sort of $1 billion a quarter of originations and that is clearly in the middle of our annual origination guidance.

Your question on why we didn't hone in, if you will, of taking the $800 million to $1.55 billion guidance and if you will tighten it down a couple things there. First of all, we didn't want to come out with any, if you will, raising of guidance because we didn't want to have people get ahead of us and read oh they have raised their guidance so that is great, let's try to take Walker & Dunlop's numbers up. And then I think the second thing is you were exactly right. There are a couple of large transactions that we were focused on that have a significant delta on what gets closed in 2011 and what falls into Q1 2012. And at this point in the quarter for us to change the guidance and tighten it down or widen it out if you will was not something we thought was prudent.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Okay. Great. Thanks. That make sense. And just on future guidance in terms of the visibility you have in to 2012, is that something we expect a little more detail on by the time the report fourth quarter earnings?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Yes.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Okay. Great. Just one last thing. The comment you made earlier in your commentary about potential new funding sources for the non-multifamily assets. I was just wondering if you could elaborate on that a little bit.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

So if you think about sources of capital for commercial real estate they're the life insurance companies which we are not and don't plan to convert ourselves into. They're the commercial banks which we are not and do not plan to convert ourselves into. There are the mortgage REITs which has been a challenge business model of late and so first there is no interest whatsoever to convert Walker & Dunlap from a C-Corp in to a REIT structure but, second of all, if we had access to REIT capital that might be through a remotely managed REIT structure, Bose, that might be a structural we looked at but it is unlikely.

Fourth would be CMBS. We thought, quite honestly, at the beginning of 2011 that we would probably get to a point where we would pool $100 million or $200 million of loans and then contribute those to securitizations by some of the larger Wall Street firms and given the lack of momentum in the CMBS world we are viewing that as a source of capital for us as less likely in 2012 than likely. And then the final structure would be a fund and there are institutional investors that right now are putting capital out into first trust debt funds and feeling very comfortable about their return profile of commercial real estate first trust lending as a very solid fixed income instrument/risk adjusted return. So we are focused squarely on that, if you will, model it right now and there are a couple companies out there, funds that have a raise capital successfully enter lending on commercial real estate and we are out there either looking to acquire or to build that type of execution.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Okay great. Thanks very much.

Operator

Thank you. Our next question comes from the line of Mike Widner. Please proceed with your question.

Mike Widner - *Stifel Nicolaus - Analyst*

Good morning, guys. So just wondering if you could talk a little bit more about the mix of originations, in particular the Fannie share of the originations has kind of slipped for a couple quarters now. Last two quarters have been sort of in percentage terms towards the lower end historic range in terms of percentage of the originations that are Fannie. Just wondering if you could talk about that and obviously there is margin implications of that.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Mike, it's a perceptive question but I will tell you flat out that you shouldn't read anything into that as it relates to the competitiveness of the relationship with Fannie Mae or, I believe, aggregate origination volumes year end. I think that it really -- if you look at the way that Fannie and Freddie compete with one another, they really do sort of see what the other one is doing and at certain times one is more competitive than the other and they pick up a bunch of volume and then the other comes back in and kind of takes the lead position, but we have an incredibly good and very strategic relationship with Fannie Mae. We are very focused on Fannie originations, but there is nothing there I would say -- really Freddie was very competitive in Q2 and Q3. Fannie is being very competitive in Q4.

If you get any market commentary out there many people will tell you that Fannie is really rolling right now. And the only other thing I would say on it back to my comment about human capital, if you think about the Freddie model versus the Fannie model, the Freddie model is not a delegated model. So when we originate along with Freddie Mac even though we co-underwrite it with Freddie Mac, that deal is reliant upon human capital inside of Freddie Mac to actually get the underwriting process done and actually fund the loan.

On the Fannie side in the delegated model all of that processing is outsourced, if you will, or delegated to the DUS lender and so as a result of that it really, particularly at the end of the year at a time when there is a large amount of deal volume and activity, the delegated model is one that our originators really feel that they can depend upon as it relates to getting to the finish line to meet their clients' needs. So as you move towards the end of the year Fannie, just by the design of the model, becomes somewhat more competitive.

Mike Widner - *Stifel Nicolaus - Analyst*

So if I am sort of read between the lines on that as we project forward we have a couple of quarters that are lower Fannie share. Should we be thinking about something that is more kind of closer to what we have seen over the past six quarters or in terms of averages or is that kind of the implication that I can take away from that?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

I'm going to let you read between the lines on your own there, Mike. We are not breaking out origination guidance as it relates to the various executions and so I'm going to let you take from my comments what you will.

Mike Widner - *Stifel Nicolaus - Analyst*

Well, I appreciate your letting me do that. Let me ask you a totally different question. Covered bonds, just a couple topics. One, obviously there is legislation here in the Senate now. Where do you see that going given your proximity and your connections their on the Hill? Do you see it being relevant for the multifamily business and then if we do end up, I'm not suggesting that we do, but if we do end up with some sort of robust covered bond market here in the US, do you see yourselves playing in that at all and, if so, kind of how might it influence your business?

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

I'm really surprised to see the covered bond issue actually being that legislation has been proposed on it. Given that the business model, if you will, that everyone was looking at was how covered bonds have been such a success story in Europe. And as you probably know better than I do, Mike, that has not turned out to be great success story in 2011. I find it hard to believe that the US market converts to the covered bond example that has had so much difficulty in 2011 in Europe.

Now maybe people can see beyond the current debt crisis in Europe and sort of say well theoretically it is a great structure, but I am hard-pressed to think, there has been a lot of talk about covered bonds, but I am hard-pressed to think that the covered bond model comes to, if you will, replace the guarantee that the federal government has put behind Fannie and Freddie.

Doesn't mean that they won't do something over time to try and phase out the guarantee, but I would think that as a replacement to the model that Fannie and Freddie have lent under, the covered bond model today I do not think has a whole lot of traction but clearly you are correct, they're debating it on Capitol Hill and there's legislation to try and, if you will, jumpstart that market, but given that it is not a robust market and we're talking about trillions of dollars in the US mortgage market, do they get it up and going to a couple tens of billions of dollars, they might. It's not going to make a big dent as it relates to our business or the way that Fannie and Freddie go about doing their business.

Mike Widner - *Stifel Nicolaus - Analyst*

Well, I'm inclined to agree with you on that. Sort of interested in your perspective on what the guys on the Hill think as opposed to what reality is and the reason I say this is you hear these guys talking about there is $3.2 trillion, I do believe, of existing covered bond in Europe out there so they draw the parallels and say there is $5 trillion of Fannie, Freddie, Ginnie, MBS and, hey, we can substantially offload by converting to covered bonds. So whether the reality of investors actually having an appetite for it here jives with what they think, just curious if you are hearing anyone that seriously thinks it is an alternative for Fannie or Freddie or if it is really just a couple guys looking to get stuff -- some legislation passed, to get legislation passed.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

So I have heard lots of people be very emphatic about it. I would only say to you I also have had meetings with staffers on Capitol Hill who looked directly at me and said if we could only get the private label residential mortgage backed security market back up and going we can do away with Fannie Mae and Freddie Mac. As you well know, Redwood Trust has done two RMBS private-label securitizations in 2011 and that is the extent of the RMBS private label market.

So I think there are a lot of people who would like to see these markets grow and take off but as a realistic replacement for the amount of liquidity that is required in these markets today I don't see any of these alternatives gaining much momentum or steam as it relates to the possibility of becoming a true alternative to what is in place today any time soon.

Mike Widner - *Stifel Nicolaus - Analyst*

Maybe if we make money a little bit more free we can encourage people to ignore credit risk a little more and get everything back to the way it was. Thanks for taking the questions and the comments.

Operator

Thank you. Our last question comes from the line of Jason Stewart. Please proceed with your question.

Jason Stewart - *FBR Capital Markets - Analyst*

Good morning and thanks for taking the questions. I have got two real questions. One is if you could follow up on Bose's question on the non-multifamily business. You answered it with regard to funding and capital but not really on the asset side. Obviously non-multifamily is pretty large. If you could expand on that and the, two, any update on the Interim Loan Program competitor, strategic importance, progress that would be great. Thank you.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Sure, Jason. As it relates to non-multifamily assets classes there is no one in particular that we would focus on. I think one of the key issues there is that Walker & Dunlop has shown great expertise in underwriting multifamily assets and so what we would need to do and what we will do is either acquire or build out our underwriting expertise in non-multifamily assets and most underwriters who are in commercial real estate have exposure to all asset classes, although there are certain people who have expertise in hospitality or office or retail or what have you.

So as we head down that path to raising that capital one of the fundamental things is getting the proper underwriters and credit people into Walker & Dunlop to make sure we are making the proper credits decisions on those loans and as it relates to market opportunity all the major asset classes are wanting for capital today and some of the funds that have been raised in the, if you will, structure that we have talked about, Jason, have been very successful in hospitality and as you well know hospitality is sort of the first to go into a cycle and the first to come out of it. I think a lot of people got going putting out dollars to hospitality and then all of the sudden since the economy is sort of paused here not sure whether that was the greatest loan they've ever made or the worst loan they've ever made.

We would look at stabilized assets with tremendous sponsorship which has been Walker & Dunlop's business model in multifamily since we started in the Fannie Mae DUS business back in 1988. The other question I'm going to pull a Rick Perry here for a second, what was your other question?

Debbie Wilson - *Walker & Dunlop Inc - EVP, CFO & Treasurer*

The interim loan fund.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

The interim loan fund, sorry. As you know, we raised that at the beginning of Q3. We have underwritten and looked at a number of transactions there, but we have not put money out into our interim loan fund yet and that is primarily due to the assets that we have looked at have all had either more hair on them than we would like to have on them, are outside of the geography that we have the fund designed to lend in. We have looked at some seniors housing deals that our fund is designed to do multifamily and so seniors housing is an asset class is a little bit outside of the prevue of the fund. We have had some assets come in on the west coast that are outside of the lending geography, but we have a number of loans that we're looking at now and I would expect in the coming quarters we will be quite active with that fund.

Jason Stewart - *FBR Capital Markets - Analyst*

Thanks.

Operator

Thank you. And there are no further squash is at this time, Sir. I will turn the call back over to you.

Willy Walker - *Walker & Dunlop Inc - Chairman, President & CEO*

Great. Thank you to all who asked questions. It was a terrific quarter for Walker & Dunlop as Debbie and I both spoke to during our call. I want to thank all of you for participating on the call today and your interest in Walker & Dunlop and we will talk to you soon. Thanks.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.
