Walker & Dunlop, Inc. (WD)

10-Q
Quarterly report pursuant to sections 13 or 15(d)
Filed on 05/13/2011
Filed Period 03/31/2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-35000

Walker & Dunlop, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**80-0629925**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7501 Wisconsin Avenue, Suite 1200E
Bethesda, Maryland 20814
(301) 215-5500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Not Applicable
(Former name, former address, and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 11, 2011 there were 22,196,755 total shares of common stock outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. **Financial Statements**

Walker & Dunlop, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
March 31, 2011 and December 31, 2010
(In thousands, except share and per share data)

	March 31, 2011 (unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	$ 43,390	$ 33,285
Restricted cash	7,287	4,580
Pledged securities, at fair value	14,781	14,281
Loans held for sale	108,912	302,851
Servicing fees and other receivables, net	13,364	13,829
Derivative assets	6,800	6,354
Mortgage servicing rights	112,829	106,189
Intangible assets	1,248	1,266
Other assets	2,705	2,985
Total assets	$ 311,316	$ 485,620
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable and other accrued expenses	$ 47,494	$ 57,713
Performance deposits from borrowers	7,003	5,970
Derivative liabilities	344	1,454
Guaranty obligation, net of accumulated amortization	9,136	8,928
Allowance for risk-sharing obligations	11,619	10,873
Warehouse notes payable	75,394	248,419
Notes payable	26,569	27,621
Total liabilities	$ 177,559	$ 360,978
Stockholders' Equity		
Stockholders' equity:		
Preferred shares, Authorized 50,000,000, none issued.	$ —	$ —
Common stock, $0.01 par value. Authorized 200,000,000; issued and outstanding 21,629,463 shares in 2011 and 21,408,171 shares in 2010	216	214
Additional paid-in capital	79,521	77,047
Retained earnings	54,020	47,381
Total stockholders' equity	$ 133,757	$ 124,642
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 311,316	$ 485,620

See accompanying notes to condensed consolidated financial statements.

Walker & Dunlop, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Revenues		
Gains from mortgage banking activities	$ 16,827	$ 25,040
Servicing fees	7,713	6,219
Net warehouse interest income	717	567
Escrow earnings and other interest income	370	495
Other	3,370	616
Total revenues	$ 28,997	$ 32,937
Expenses		
Personnel	$ 9,207	$ 15,349
Amortization and depreciation	4,907	3,444
Provision for risk-sharing obligations	746	(76)
Interest expense on corporate debt	252	353
Other operating expenses	3,020	3,126
Total expenses	$ 18,132	$ 22,196
Income from operations	$ 10,865	$ 10,741
Income tax expense	4,226	—
Net income	$ 6,639	$ 10,741
Basic and diluted earnings per share	$ 0.31	$ 0.73
Basic weighted average shares outstanding	21,582,746	14,741,504
Diluted weighted average shares outstanding	21,651,192	14,741,504
Proforma net income data		
Income from operations, as reported		$ 10,741
Pro forma adjustments for income tax expense		4,178
Pro forma net income		$ 6,563
Pro forma basic and diluted earnings per share		$ 0.45

See accompanying notes to condensed consolidated financial statements.

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Walker & Dunlop, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash flows from operating activities:		
Net income	$ 6,639	$ 10,741
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain attributable to fair value of future servicing rights, net of guaranty obligation	(9,469)	(9,062)
Gain on sale of MSR, less prepayment of originated mortgage servicing rights	165	6
Provision for risk-sharing obligations	746	(76)
Amortization and depreciation	4,907	3,444
Loss on disposal of fixed assets	—	—
Originations of loans held for sale	(440,971)	(254,472)
Sales of loans to third parties	631,103	302,545
Stock compensation	423	—
Cash paid to settle guarantee agreement	—	(2,148)
Changes in:		
Restricted cash and pledged securities	(3,207)	(649)
Servicing fees and other receivables	343	(3,206)
Derivative fair value adjustment	413	(16,010)
Intangible and other assets	488	1,227
Accounts payable and other accruals	(10,219)	13,691
Performance deposits from borrowers	1,033	6,382
Net cash provided by operating activities	$ 182,394	$ 52,413
Cash flows from investing activities:		
Capital expenditures	$ (265)	$ (107)
Net cash used in investing activities	$ (265)	$ (107)
Cash flows from financing activities:		
Repayments of warehouse notes payable, net	$ (173,025)	$ (48,175)
Repayments of notes payable, net	(1,052)	(1,324)
Distributions to former members	—	(2,995)
Cash distributed to Column	—	(109)
Proceeds from issuance of common stock	2,053	—
Net cash used in financing activities	$ (172,024)	$ (52,603)
Net increase (decrease) in cash and cash equivalents	$ 10,105	$ (297)
Cash and cash equivalents at beginning of period	33,285	10,390
Cash and cash equivalents at end of period	$ 43,390	$ 10,093
Supplemental Disclosure of Cash Flow Information:		
Cash paid to third parties for interest	$ 800	$ 555
Cash paid for taxes	$ 2,282	$ —

See accompanying notes to condensed consolidated financial statements.

Walker & Dunlop, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION

These financial statements represent the condensed consolidated financial position and results of operations of Walker & Dunlop, Inc. and its subsidiaries. Unless the context otherwise requires, references to "we," "us," "our," "Walker & Dunlop" and the "Company" mean the Walker & Dunlop consolidated companies. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instruction to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Because the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP, they should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of management, all adjustments (consisting only of normal recurring accruals except as otherwise noted herein) considered necessary for a fair presentation of the results for the Company in the interim periods presented have been included. Results of operations for the three month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011, or thereafter.

Concurrently with the closing of our initial public offering in December 2010, the investors in the Walker & Dunlop predecessor entities individually and collectively combined the predecessor entities, which had been previously operated and reported as companies under common control (the "Formation Transaction," see Note 7). These investors exchanged their member interests for their pro rata interest, adjusted for company specific debt included in the transaction, in 14,741,504 shares in the newly formed company, Walker & Dunlop. This transaction was reported for accounting purposes as a combination of companies under common control and the stock issuance was reported as a stock-split. In accordance with GAAP, all financial reports have been prepared as if the combination of the companies under common control and subsequent stock split had occurred prior to the earliest period presented; certain amounts have been reclassified to conform to the new presentation. The predecessor companies continue to exist as wholly owned subsidiaries of the Company.

We are one of the leading providers of commercial real estate financial services in the United States, with a primary focus on multifamily lending. We originate, sell and service a range of multifamily and other commercial real estate financing products. Our clients are owners and developers of commercial real estate across the country. We originate pursuant to the programs of Fannie Mae and the Federal Home Loan Mortgage Corporation ("Freddie Mac," and together with Fannie Mae, the government-sponsored enterprises, or the "GSEs") and the Federal Housing Administration, a division of the U.S. Department of Housing and Urban Development ("HUD"), with which we have long-established relationships. We retain servicing rights and asset management responsibilities on nearly all loans that we sell to GSEs and HUD. We are approved as a Fannie Mae Delegated Underwriting and Servicing ("DUS"™) lender nationally, a Freddie Mac Program Plus lender in seven states, the District of Columbia and the metropolitan New York area and a HUD Multifamily Accelerated Processing ("MAP") lender nationally. We also originate and service loans for a number of life insurance companies and other institutional investors, in which cases we do not fund the loan but rather act as a loan broker.

W&D Balanced Real Estate Fund I GP, LLC, a wholly owned subsidiary, has a general partnership interest in a partnership that invests in commercial real estate. The Company can be removed as general partner at the sole discretion of one of the limited partners. Accordingly, we apply the equity method of accounting to this investment.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The condensed consolidated financial statements include the accounts of the Company as defined in Note 1. All material intercompany transactions have been eliminated. We have evaluated all subsequent events.

Use of Estimates—The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, including guaranty obligations, and capitalized mortgage servicing rights, derivative instruments and hedging relationships, and the disclosure of contingent assets and liabilities. Actual results may vary from these estimates.

Comprehensive Income—For the three month periods ended March 31, 2011 and 2010, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying condensed consolidated financial statements.

Concentrations of Credit Risk—Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, loans held for sale and derivative financial instruments.

The Company places the cash and temporary investments with high-credit-quality financial institutions and believes no significant credit risk exists. The counterparties to the loans held for sale and funding commitments are owners of residential multifamily properties

located throughout the United States. Mortgage loans are generally transferred or sold within 2 to 45 days from the date that a mortgage loan is funded.

There is no material counterparty risk with respect to the Company's funding commitments in that each potential borrower must make a non-refundable good faith deposit when the funding commitment is executed. The counterparty to the forward sale generally is an investment bank. There is a risk that the purchase price agreed to by Fannie Mae or the other investor will be reduced in the event of a late delivery. The risk for non-delivery of a loan primarily results from the risk that a borrower does not close on the funding commitment in a timely manner, which generally is a risk mitigated by the non-refundable good faith deposit.

Loans Held for Sale—Loans held for sale represent originated loans that are generally transferred or sold within 2 to 45 days from the date that a mortgage loan is funded. We initially measure all originated loans at fair value. Subsequent to initial measurement, we measure all mortgage loans at fair value, unless we document at the time the loan is originated that we will measure the specific loan at the lower of cost or fair market value for the life of the loan. Electing to use fair value allows a better offset of the change in fair value of the loan and the change in fair value of the derivative instruments used as economic hedges. During the period prior to its sale, interest income on a loan held for sale is calculated in accordance with the terms of the individual loan. There were no loans that were valued at the lower of cost or market or on a non-accrual status at March 31, 2011 or December 31, 2010.

Gains from Mortgage Banking Activities—Mortgage banking activity income is recognized when we record a derivative asset upon the firm commitment to originate a loan with a borrower and sell the loan to an investor. This commitment asset is recognized at fair value, which reflects the fair value of the contractual loan origination related fees and sale premiums, net of co-broker fees, and the estimated fair value of the expected net future cash flows associated with servicing of loans net of the estimated net future cash flows associated with the risk-sharing obligations. Also included in gains from mortgage banking activities are changes to the fair value of loan commitments, forward sale commitments, and loans held for sale that occur during their respective holding periods. Upon sale of the loans, no gains or losses are recognized as such loans are recorded at fair value during their holding periods. Mortgage servicing rights and guaranty obligations are recognized as assets or liabilities, respectively, upon the sale of the loans.

Loans originated in a brokerage capacity tend to have lower origination fees because they often require less time to execute, there is more competition for brokerage assignments and because the borrower will also have to pay an origination fee to the ultimate institutional lender. The co-broker fees for the three months ended March 31, 2011 and 2010 were $5.3 million and $6.9 million, respectively.

Transfer of financial assets is reported as a sale when (a) the transferor surrenders control over those assets and (b) consideration other than beneficial interests in the transferred assets is received in exchange. The transferor is considered to have surrendered control over transferred assets if, and only if, certain conditions are met. The Company has determined that all loans sold have met these specific conditions and accounts for all transfers of mortgage loans and mortgage participations as completed sales.

When a mortgage loan is sold, and the Company retains the right to service the loan, the Company initially recognizes the Mortgage Servicing Right ("MSR") at fair value. Subsequent to the initial measurement date, mortgage servicing assets are amortized using the effective interest method.

Guaranty obligation and allowance for risk-sharing obligations— When a loan is sold under the Fannie Mae DUS program, the Company undertakes an obligation to partially guarantee the performance of the loan. At inception, a liability for the fair value of the obligation undertaken in issuing the guaranty is recognized. The fair value includes the Company's obligation to stand ready to perform over the term of the guaranty (the non-contingent guaranty), and the Company's obligation to make future payments should those triggering events or conditions occur (contingent guaranty). Historically the contingent guaranty recognized at inception has been de minimis. In determining the fair value of the guaranty obligation, we consider the risk profile of the collateral, historical loss experience, and various market indicators. Generally, the estimated fair value of the guaranty obligation is based on the present value of the future cash flows expected to be paid under the guaranty over the estimated life of the loan (historically three to five basis points per year) discounted using a 12-15 percent discount rate. The discount rate and estimated life used are consistent with those used for the calculation of the MSR for each loan.

Subsequent to the initial measurement date, the Company's liability is amortized over the life of the guaranty period using the straight-line method; we evaluate the allowance for risk-sharing obligations by monitoring the performance of each loan for events or conditions which may signal a potential default. In instances where payment under the guaranty on a specific loan is determined to be probable and estimable, we record an additional liability for the estimated allowance for risk-sharing through a charge to the provision for risk-sharing obligations, along with a write-off of the associated loan-specific MSR (Note 5).

Share-Based Payment—The Company recognizes compensation costs for all share-based payment awards made to employees and directors, including employee stock options and other forms of equity compensation based on the grant date fair value.

Under the 2010 Equity Incentive Plan, the Company has granted restricted share and stock option awards. Restricted share awards were granted without cost to the Company's officers, employees and non-employee directors, for which the fair value of the award was calculated as the difference between the market value of the Company's common stock on the date of grant and the purchase price paid by the grantee. The Company's restricted share awards for its officers and employees vest, predicated on continued employment, over a period of three years. Restricted share awards for non-employee directors fully vest after one year.

Stock option awards were granted to certain officers and employees, with an exercise price equal to the closing price of the Company's common stock on the date of the grant, and were granted for a ten-year term, vesting over three years dependent solely on continued employment. To estimate the grant-date fair value of stock options, the Company uses the Black-Scholes pricing model. The Black-Scholes model estimates the per share fair value of an option on its date of grant based on the following inputs: the option's exercise price, the price of the underlying stock on the date of the grant, the estimated option term, the estimated dividend yield, a "risk-free" interest rate and the expected volatility. For the "risk-free" rate, the Company uses a U.S. Treasury strip due in a number of years equal to the option's expected term. To determine the expected volatility, the Company has calculated the volatility of the option price of a group of peer companies, as the Company has insufficient historical data for its common stock at this time to develop an expectation of volatility over the expected term of the options granted solely based on the historical volatility of its own common stock.

Compensation expense is adjusted for estimated forfeitures and is recognized on a straight-line basis, for the entire award, over the requisite service period of the award. Forfetiture assumptions are evaluated on a quarterly basis and updated as necessary. Compensation is recognized within the income statement as "Personnel" expense, the same expense line as the cash compensation paid to the respective employees.

Income Taxes—Prior to the closing of the Formation Transaction on December 20, 2010, the predecessor entities to the Company elected pass-through tax status under the provisions of the Internal Revenue Code and the various states in which they are qualified to do business. As pass through entities, the Company's predecessors were subject to insignificant federal, state and local income taxes as the owners separately accounted for their pro-rata share of the Company's items of income, deductions, losses and credits on their individual returns. Therefore, for the three months ended March 31, 2010, no provision was made in the accompanying financial statements for liabilities for federal, state and local income taxes since because such liabilities were the responsibility of the individual owners. The Company files income tax returns in the applicable U.S federal, state and local jurisdictions and generally is subject to examination by the respective jurisdictions for three years from the filing of a tax return.

Following the closing of the Formation Transaction, we account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. See Note 7 for policy on pro forma income taxes.

Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realizable based on consideration of available evidence, including future reversals of existing taxable temporary differences, projected future taxable income and tax planning strategies. Deferred tax assets are included in other assets, and deferred tax liabilities are included in accounts payable and other accrued expenses in the accompanying condensed consolidated balance sheets.

We had no accruals for tax uncertainties as of March 31, 2011 or December 31, 2010.

Net Warehouse Interest Income—The Company presents warehouse interest income net of warehouse interest expense. Warehouse interest income is the interest earned from loans that are held for sale. Substantially all loans that are held for sale are financed with matched borrowings under our warehouse facilities incurred to fund a specific loan held for sale. Warehouse interest expense is incurred on borrowings used to fund loans solely while they are held for sale. Warehouse interest income and expense are earned or incurred after a loan is closed and before a loan is sold. Included in net warehouse interest income for the three months ended March 31, 2011 and 2010 are the following components (in thousands):

Walker & Dunlop, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

	For the three months ended March 31,	
	2011	2010
Warehouse interest income	$ 1,721	$ 1,075
Warehouse interest expense	1,004	508
Warehouse interest income, net	$ 717	$ 567

Recently Issued Accounting Pronouncements—In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC Topic 820, *Fair Value Measurements and Disclosures*, and requires new disclosures about recurring or nonrecurring fair value measurements, to include transfers in and out of Levels 1 and 2, a reconciliation for fair value measurements using Level 3 inputs, and clarifies disclosure requirements for fair value measurements. ASU 2010-06 is effective for fiscal years beginning after December 15, 2010. The adoption of this guidance expanded our disclosures regarding fair value measurements (Note 9) and did not have a material impact on our financial statements.

NOTE 3—GAINS FROM MORTGAGE BANKING ACTIVITIES

The gains from mortgage banking activities consist of the following activity for the three months ended March 31, 2011 and 2010 (in thousands):

	For the three months ended March 31,	
	2011	2010
Contractual loan origination related fees, net	$ 7,358	$ 15,978
Fair value of expected net future cash flows from servicing recognized at commitment	10,055	9,405
Fair value of expected guaranty obligation	(586)	(343)
Total gains from mortgage banking activities	$ 16,827	$ 25,040

NOTE 4—MORTGAGE SERVICING RIGHTS

Mortgage servicing rights (MSR) represent the fair value of the servicing rights retained by the Company for mortgage loans originated and sold. The capitalized amount is equal to the estimated fair value of the future expected net cash flows associated with the servicing rights. The following describes the key assumptions used in calculating each loan's MSR:

Discount rate—Depending upon loan type, the discount rate used is management's best estimate of market discount rates. The rates used for loans originated were 10% to 15% for each of the three month periods presented.

Estimated Life—The estimated life of the MSRs approximates the stated maturity date of the underlying loan and may be reduced by 6 to 12 months based upon the expiration of various types of make-whole payment lockout provisions prior to that stated maturity date.

Servicing Cost—The estimated future cost to service the loan for the estimated life of the MSR is subtracted from the estimated future cash flows.

The fair value of the MSRs was $131.8 million and $125.1 at March 31, 2011 and December 31, 2010, respectively. The Company uses a discounted static cash flow valuation approach and the key economic assumption is the discount rate. For example see the following sensitivities:

The impact of a 100 basis point increase in the discount rate at March 31, 2011 is a decrease in the fair value of $3.6 million.

The impact of a 200 basis point increase in the discount rate at March 31, 2011 is a decrease in the fair value of $7.2 million.

Activity related to capitalized MSRs for the three months ended March 31, 2011 and 2010 was as follows (in thousands):

Walker & Dunlop, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

	For the three months ended March 31,	
	2011	2010
Beginning balance	$ 106,189	$ 81,427
Additions, following sale of loan	11,895	5,729
Amortization	(4,969)	(3,672)
Prepayments and write-offs	(286)	—
Ending balance	$ 112,829	$ 83,484

The MSRs are being amortized in proportion to, and over the period, that net servicing income is expected to be received using the effective interest method. The Company reported write downs of MSRs related to loans that were repaid prior to the expected maturity or the servicing rights being sold. These write-offs are included with the amortization and depreciation expense in the accompanying condensed consolidated statements of income.

Management reviews the capitalized MSRs for impairment quarterly. MSRs are measured for impairment on an asset-by-asset basis, considering factors such as debt service coverage ratio, property location, loan-to-value ratio and property type. In addition, at each reporting period, we compare the aggregate carrying value of the MSR portfolio to the aggregate estimated fair value of the portfolio. No impairments other than write-offs discussed above have been recognized for the periods presented.

NOTE 5—GUARANTY OBLIGATION AND ALLOWANCE FOR RISK-SHARING OBLIGATIONS

When a loan is sold under the Fannie Mae DUS program, the Company typically agrees to guarantee a portion of the ultimate loss incurred on the loan should the borrower fail to perform. The compensation for this risk is a component of the servicing fee on the loan. No guaranty is provided for loans sold under the Freddie Mac or HUD loan programs.

A summary of our guaranty obligation for the three months ended March 31, 2011 and 2010 is as follows (in thousands):

	For the three months ended March 31,	
	2011	2010
Balance at January 1	$ 8,928	$ 8,751
Guaranty obligation recognized	589	380
Amortization of guaranty obligation	(381)	(368)
Balance at March 31	$ 9,136	$ 8,763

We evaluate the allowance for risk-sharing obligations by monitoring the performance of each loan for triggering events or conditions that may signal a potential default. In situations where payment under the guaranty is probable and estimable on a specific loan, we record an additional liability for the estimated allowance for risk-sharing through a charge to the provision for risk-sharing obligations in the income statement, along with a write-off of the loan-specific MSR. The amount of the provision reflects our assessment of the likelihood of payment by the borrower, the estimated disposition value of the underlying collateral and the level of risk-sharing. Historically, the loss recognition occurs at or before the loan becoming 60 days delinquent. A summary of our allowance for risk-sharing for the three months ended March 31, 2011 and 2010 is as follows (in thousands):

	For the three months ended March 31,	
	2011	2010
Balance at January 1	$ 10,873	$ 5,552
Write offs	—	(2,148)
Provision for risk-sharing obligations	746	(76)
Balance at March 31	$ 11,619	$ 3,328

Walker & Dunlop, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

As of March 31, 2011, the maximum quantifiable contingent liability associated with the Company's guarantees under the Fannie Mae DUS agreement was $1.4 billion. The maximum quantifiable contingent liability is not representative of the actual loss we would incur. We would be liable for this amount only if all of the loans we service for Fannie Mae, for which we retain some risk of loss, were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement.

NOTE 6—SERVICING

The total amount of loans the Company was servicing for various institutional investors was $14.9 billion as of March 31, 2011.

NOTE 7—FORMATION TRANSACTION

As part of the Formation Transaction, the Company was incorporated in Maryland on July 29, 2010, and had no activity other than its initial capitalization prior to the Company's initial public offering, which was completed on December 20, 2010. Concurrently with the closing of our initial public offering in December 2010, the investors in the Walker & Dunlop predecessor entities individually and collectively combined the predecessor entities which had been previously operated and reported as companies under common control. These investors exchanged their member interests for their pro rata interest, adjusted for company specific debt included in the transaction, in 14,741,504 shares in the newly formed company. This transaction was reported for accounting purposes as a combination of companies under common control and the stock issuance was reported as a stock-split. In accordance with US GAAP, all financial reports have been prepared as if the stock-split and the combination of the companies under common control had occurred prior to the earliest period presented; certain amounts have been reclassified to conform to the new presentation. The predecessor companies continue to exist as wholly owned subsidiaries of the Company.

On January 19, 2011, we issued an additional 221,292 shares of common stock at $10.00 per share upon the partial exercise of the overallotment option by the underwriters. We received net proceeds of approximately $2.1 million, net of underwriting discounts and commissions of approximately $0.2 million.

Pro forma basic earnings per share and diluted earnings per share for periods prior to the December 20, 2010 closing of our initial public offering are computed by dividing pro forma net income available to common stockholders by the weighted-average number of shares outstanding for the periods presented, after reclassification for the Formation Transaction and stock split. Changes in ownership interests during any period are weighted for the portion of the period that shares were outstanding. For purposes of this pro forma presentation, pro forma income taxes were computed as if the predecessor companies' income from operations had been taxed at the corporate level at a composite rate of 38.9%, rather than at the individual investor level for the pass-through entities.

The following is a calculation of the pro forma basic and diluted earnings per share for the three months ended March 31, 2010 (in thousands, except per share data):

Pro forma net income data	**For the three months ended March 31, 2010**
Income from operations, as reported	$ 10,741
Pro forma adjustments for income tax expense	4,178
Pro forma net income	$ 6,563
Pro forma basic and diluted earnings per share	$ 0.45

NOTE 8—NOTES PAYABLE

To provide financing to borrowers under GSE and HUD programs, the Company has arranged for warehouse lines of credit in the amount of $300 million with certain national banks. In support of each of these credit facilities, the Company has pledged substantially all of its loans held for sale under the Company's approved programs. At March 31, 2011, warehouse borrowings aggregated $75.4 million under the bank facilities. The borrowing rates under these warehouse facilities continue to be computed based on the average 30-day LIBOR plus 1.00% to 2.50%. For the three months ended March 31, 2011 and 2010, the Company incurred interest expense on its warehouse facilities of $1.0 million and $0.5 million, respectively. Included in interest expense were loan fees of $0.2 million and $0.1 million for the three months ended March 31, 2011 and 2010, respectively. The notes payable are subject to various financial covenants and the Company was in compliance with all such covenants at March 31, 2011.

On March 16, 2011, the Company amended its master purchase and sale agreement which was scheduled to mature March 31, 2011. The amendment extends the maturity date of the purchase and sale agreement to March 16, 2012 and reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 250 basis points.

On May 11, 2011, the Company amended its committed warehouse line agreement which matures on November 28, 2011. The amendment reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 200 basis points and modifies certain covenants as follows: increases tangible net worth requirement to $100 million, decreases maximum ratio of total indebtedness to tangible net worth to 2.25 to 1.0, increases minimum unrestricted liquidity requirement to $10 million and eliminates the covenant regarding increases in the maximum delinquency rate change.

On May 12, 2011, the Company amended its committed warehouse line agreement which matures on June 29, 2011. The amendment reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 200 basis points and modifies certain covenants as follows: increases tangible net worth requirement to $100 million, decreases maximum ratio of total indebtedness to tangible net worth to 2.25 to 1.0, increases minimum unrestricted liquidity requirement to $10 million and eliminates the covenant regarding increases in the maximum delinquency rate change.

At March 31, 2011, the Company has provided warehouse funding for loans, with a principal balance of approximately $31.8 million, included in loans held for sale, using proceeds from the initial public offering.

On October 31, 2006, we entered into a $42.5 million term note agreement which matures on October 31, 2011. All of the ownership interests in Walker & Dunlop, LLC, our wholly owned subsidiary, are pledged as collateral for the note. The loan has annual principal reductions of $3.6 million. As of March 31, 2011, the outstanding note balance was $26.1 million.

On May 11, 2011, the Company amended the term note agreement which matures on October 31, 2011. The amendment reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 250 basis points and extends the maturity date to October 31, 2015. The amendment modifies certain agreement covenants as follows: increases tangible net worth requirement to $100 million, decreases maximum ratio of total indebtedness to tangible net worth to 2.25 to 1.0, increases minimum unrestricted liquidity requirement to $10 million, eliminates the covenant regarding increases in the maximum delinquency rate change, increases the minimum debt service ratio to 3.0 to 1.0, decreases the maximum loan to value ratio (for term debt) as a percentage of the .mortgage servicing rights portfolio to 40%, increases the minimum total servicing portfolio requirement to $8 billion and increases the minimum total Fannie Mae servicing portfolio to $7.5 billion.

NOTE 9—FAIR VALUE MEASUREMENTS

The Company uses valuation techniques that are consistent with the market approach, the income approach and/or the cost approach to measure assets and liabilities that are measured at fair value. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, accounting standards establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1*—Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- *Level 2*—Financial assets and liabilities whose values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- *Level 3*—Financial assets and liabilities whose values are based on inputs that are both unobservable and significant to the overall valuation.

The Company's MSRs are measured at fair value on a nonrecurring basis. That is, the instruments are not measured at fair value on an

Walker & Dunlop, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The Company's MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, precise terms and conditions vary with each transaction and are not readily available. Accordingly, the estimated fair value of MSRs was developed using discounted cash flow models that calculate the present value of estimated future net servicing income. The model considers contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. The Company reassesses and periodically adjusts the underlying inputs and assumptions used in the model to reflect observable market conditions and assumptions that a market participant would consider in valuing an MSR asset. MSRs are carried at the lower of amortized cost or estimated fair value.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's assets and liabilities carried at fair value:

- *Derivative Instruments*—The derivative positions consist of interest rate lock commitments and forward sale agreements. These instruments are valued using a discounted cash flow model developed based on changes in the U.S. Treasury rate and other observable market data. The value was determined after considering the potential impact of collateralization, adjusted to reflect nonperformance risk of both the counterparty and the Company and are classified within Level 3 of the valuation hierarchy.

- *Loans held for sale*—The loans held for sale are reported at fair value. The Company determines the fair value of the loans held for sale using discounted cash flow models that incorporate quoted observable prices from market participants. Therefore, the Company classifies these loans held for sale as Level 2.

- *Pledged Securities*—The pledged securities are valued using quoted market prices from recent trades. Therefore, the Company classifies pledged securities as Level 1.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010, segregated by the level of the valuation inputs within the fair value hierarchy used to measure fair value (in thousands):

Walker & Dunlop, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of Period End
March 31, 2011				
Assets				
Loans held for sale	$ —	$ 108,912	$ —	$ 108,912
Pledged securities	14,781	—	—	14,781
Derivative assets	—	—	6,800	6,800
Total	$ 14,781	$ 108,912	$ 6,800	$ 130,493
Liabilities				
Derivative liabilities	$ —	$ —	$ 344	$ 344
Total	$ —	$ —	$ 344	$ 344
December 31, 2010				
Assets				
Loans held for sale	$ —	$ 302,851	$ —	$ 302,851
Pledged securities	14,281	—	—	14,281
Derivative assets	—	—	6,354	6,354
Total	$ 14,281	$ 302,851	$ 6,354	$ 323,486
Liabilities				
Derivative liabilities	$ —	$ —	$ 1,454	$ 1,454
Total	$ —	$ —	$ 1,454	$ 1,454

Derivative instruments (Level 3) are outstanding for short periods of time (generally less than 45 days) and are not outstanding for more than one period. A roll forward of derivative instruments which require valuations based upon significant unobservable inputs, is presented below (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs: Derivative Instruments March 31, 2011
Derivative assets and liabilities, net	
Beginning balance, December 31, 2010	$ 4,900
Transfers in (out) of Level 3	—
Purchases	—
Sales	—
Issuances	—
Settlements	(15,271)
Realized gains (losses) recorded in earnings	10,371
Unrealized gains (losses) recorded in earnings	6,456
Ending balance, March 31, 2011	$ 6,456

The carrying amounts and the fair values of the Company's financial instruments as of March 31, 2011 and December 31, 2010 are presented below (in thousands):

(Amounts in thousands, except share and per share data)

	March 31, 2011	
	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 43,390	$ 43,390
Restricted cash	7,287	7,287
Pledged securities	14,781	14,781
Loans held for sale	108,912	108,912
Derivative assets	6,800	6,800
Total	$ 181,170	$ 181,170
Financial Liabilities:		
Derivative liabilities	$ 344	$ 344
Warehouse notes payable	75,394	75,394
Notes payable	26,569	26,569
Total	$ 102,307	$ 102,307

	December 31, 2010	
	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 33,285	$ 33,285
Restricted cash	4,580	4,580
Pledged securities	14,281	14,281
Loans held for sale	302,851	302,851
Derivative assets	6,354	6,354
Total	$ 361,351	$ 361,351
Financial Liabilities:		
Derivative liabilities	$ 1,454	$ 1,454
Warehouse notes payable	248,419	248,419
Notes payable	27,621	27,669
Total	$ 277,494	$ 277,542

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents and Restricted Cash—The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Pledged Securities—Consist of highly liquid investments in commercial paper of AAA rated entities and investments in money market accounts invested in government securities. Investments typically have maturities of 90 days or less, and are valued using quoted market prices from recent trades.

Loans Held For Sale—Consist of originated loans that are generally transferred or sold within 2 to 45 days from the date that a mortgage loan is funded, and are valued using discounted cash flow models that incorporate observable prices from market participants.

Derivative Instruments—Consist of interest rate lock commitments and forward sale agreements. These instruments are valued using discounted cash flow models developed based on changes in the U.S. Treasury rate and other observable market data. The value is determined after considering the potential impact of collateralization, adjusted to reflect nonperformance risk of both the counterparty and the Company.

Warehouse Notes Payable—Consist of borrowings outstanding under warehouse line agreements. The borrowing rates on the warehouse lines are based upon average 30-day LIBOR plus a margin. The carrying amounts approximate fair value because of the short maturity of these instruments.

Notes Payable—Consist of borrowings outstanding under term note agreements. The borrowing rates on the notes payable are based upon average 30-day LIBOR plus a margin. We estimate the fair value by discounting the future cash flows of each instrument at market rates.

Fair Value of Derivative Instruments and Loans Held for Sale—In the normal course of business, the Company enters into contractual commitments to originate (purchase) and sell multifamily mortgage loans at fixed prices with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by the Company. All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the "lock-in" of rates by the borrower and the sale date of the loan to an investor.

To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the Company's policy is to enter into a sale commitment with the investor simultaneously with the rate lock commitment with the borrower. The sale contract with the investor locks in an interest rate and price for the sale of the loan. The terms of the contract with the investor and the rate lock with the borrower are matched in substantially all respects, with the objective of eliminating interest rate risk to the extent practical. Sale commitments with the investors have an expiration date that is longer than our related commitments to the borrower to allow, among other things, for the closing of the loan and processing of paperwork to deliver the loan into the sale commitment.

Both the rate lock commitments to borrowers and the forward sale contracts to buyers are undesignated derivatives and, accordingly, are marked to fair value through other income and expenses. The fair value of the Company's rate lock commitments to borrowers and loans held for sale and the related input levels includes, as applicable:

- the assumed gain/loss of the expected resultant loan sale to the buyer;
- the expected net future cash flows associated with servicing the loan (Level 2); and
- the effects of interest rate movements between the date of the rate lock and the balance sheet date (Level 3).

The fair value of the Company's forward sales contracts to investors considers effects of interest rate movements between the trade date and the balance sheet date (Level 3). The market price changes are multiplied by the notional amount of the forward sales contracts to measure the fair value.

The assumed gain/loss considers the amount that the Company has discounted the price to the borrower from par for competitive reasons, if at all, and the expected net cash flows from servicing to be received upon securitization of the loan. The fair value of the expected net future cash flows associated with servicing the loan is calculated pursuant to the valuation techniques described previously for mortgage servicing rights.

To calculate the effects of interest rate movements, the Company uses applicable published U.S. Treasury prices, and multiplies the price movement between the rate lock date and the balance sheet date by the notional loan commitment amount.

The fair value of the Company's forward sales contracts to investors considers the market price movement of the same type of security between the trade date and the balance sheet date (Level 3). The market price changes are multiplied by the notional amount of the forward sales contracts to measure the fair value.

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	Fair Value Adjustment Components				Balance Sheet Location		
(in thousands)	Notional or Principal Amount	Assumed Gain (Loss) on Sale	Interest Rate Movement Effect	Total Fair Value Adjustment	Derivative Contract Assets	Derivative Contract Liabilities	Fair Value Adjustment To Loans Held for Sale
March 31, 2011							
Rate lock commitments	$ 197,436	$ 5,671	$ (597)	$ 5,074	$ 5,074	$ —	$ —
Forward sale contracts	303,251	—	1,382	1,382	1,726	(344)	—
Loans held for sale	105,815	3,882	(785)	3,097	—	—	3,097
Total		$ 9,553	$ —	$ 9,553	$ 6,800	$ (344)	$ 3,097
December 31, 2010							
Rate lock commitments	$ 158,557	$ 3,470	$ (1,513)	$ 1,957	$ 2,524	$ (567)	$ —
Forward sale contracts	454,504	—	2,943	2,943	3,830	(887)	
Loans held for sale	295,947	8,334	(1,430)	6,904	—	—	6,904
Total		$ 11,804	$ —	$ 11,804	$ 6,354	$ (1,454)	$ 6,904

NOTE 10—LITIGATION, COMMITMENTS AND CONTINGENCIES

Fannie Mae DUS Related Commitments—Commitments for the origination and subsequent sale and delivery of loans to Fannie Mae represent those mortgage loan transactions where the borrower has locked an interest rate and scheduled closing and the Company has entered into a mandatory delivery commitment to sell the loan to Fannie Mae. As discussed in Note 9, the Company accounts for these commitments as derivatives recorded at fair value.

The Company is generally required to share the risk of any losses associated with loans sold under the Fannie Mae DUS program (the DUS risk-sharing obligations). The Company is required to secure this obligation by assigning restricted cash balances and securities to Fannie Mae. The reserve for loans may be posted over the first 48 months. As of March 31, 2011, the Company had pledged cash and securities in excess of these requirements. In 2010, Fannie Mae increased its collateral requirements for certain segments of the Fannie Mae risk-sharing portfolio by approximately 25 basis points effective April 1, 2011. The incremental collateral required for existing and new loans will be funded over approximately the next three years for all existing and new qualifying loans, in accordance with Fannie Mae requirements. Based on our Fannie Mae portfolio as of March 31, 2011, the additional proposed collateral required by the end of the three year period is expected to be approximately $11.7 million. Fannie Mae also has indicated that it intends to reassess the adequacy of its collateral requirements on an annual basis, starting as of October 2011. Under the provisions of the DUS agreement, the Company must also maintain a certain level of liquid assets referred to as the operational and unrestricted portions of the required reserves each year. These requirements were satisfied by the Company as of March 31, 2011.

For most loans we service under the Fannie Mae DUS program, we are currently required to advance 100% of the principal and interest due to noteholders up to 5% of the unpaid principal balance if the borrower is delinquent in making loan payments. Under the HUD program, we are required to advance 100% of the principal and interest payments due to noteholders if the borrower is delinquent in making loan payments. Advances are included in loan origination related fees and other receivables to the extent such amounts are recoverable.

Fannie Mae has established benchmark standards for capital adequacy, and reserves the right to terminate the Company's servicing authority for all or some of the portfolio, if at any time it determines that the Company's financial condition is not adequate to support its obligation under the DUS agreement. The Company is required to maintain acceptable net worth as defined in the standards and the Company satisfied the requirements as of March 31, 2011. The net worth requirement is derived primarily from unpaid balances on Fannie Mae loans and the level of risk-sharing. At March 31, 2011, the net worth requirement was $46.0 million and the Company's net worth was $134.2 million. As of March 31, 2011, we were required to maintain at least $8.5 million of liquid assets to meet our operational liquidity requirements, as defined in the agreements, for Fannie Mae, Freddie Mac, HUD, Ginnie Mae and our warehouse facility lenders. As of March 31, 2011, we had operational liquidity of $43.0 million.

Litigation— On February 17, 2010, Capital Funding Group, Inc. ("Capital Funding") filed a lawsuit in the state Circuit Court of Montgomery County, Maryland against Walker & Dunlop, LLC, our wholly owned subsidiary, for alleged breach of contract, unjust enrichment and unfair competition arising out of an alleged agreement that Capital Funding had with Column Guaranteed, LLC ("Column") to refinance a large portfolio of senior healthcare facilities located throughout the United States (the "Golden Living Facilities"). Capital Funding alleges that a contract existed between it and Column (and its affiliates) whereby Capital Funding allegedly had the right to perform the HUD refinancing for the Golden Living Facilities and according to which Capital Funding provided certain alleged proprietary information to Column and its affiliates relating to the refinancing of the Golden Living Facilities on a confidential basis. Capital Funding further alleges that Walker & Dunlop, LLC, as the alleged successor by merger to Column, is bound by Column's alleged agreement with Capital Funding, and breached the agreement by taking for itself the opportunity to perform the HUD refinancing for the Golden Living Facilities.

Capital Funding further claims that Column and its affiliates and Walker & Dunlop, LLC breached the contract, were unjustly enriched, and committed unfair competition by using Capital Funding's alleged proprietary information for certain allegedly unauthorized purposes. Capital Funding also asserts a separate unfair competition claim against Walker & Dunlop, LLC in which it alleges that Walker & Dunlop, LLC is improperly "taking credit" on its website for certain work actually performed by Capital Funding. Capital Funding seeks damages in excess of $30 million on each of the three claims asserted against all defendants, and an unspecified amount of damages on the separate claim for unfair competition against Walker & Dunlop, LLC. Capital Funding also seeks injunctive relief in connection with its unjust enrichment and unfair competition claims.

On May 3, 2010, we answered the complaint, denying liability for all three claims, and are defending ourselves against the allegations. The court denied Walker & Dunlop, LLC's motion to dismiss the unfair competition claim. A trial date for the matter was originally scheduled for Spring 2011.

We are not aware of any contract between the plaintiff and Column or its affiliates regarding the right to refinance the Golden Living Facilities. Moreover, we believe that Walker & Dunlop, LLC did not assume any of the rights or liabilities related to the original Golden Living Facilities financing, which was provided in part by Column's parent company, Column Financial, Inc. Pursuant to an agreement, dated January 30, 2009 (the "Column Transaction Agreement"), among Column, Walker & Dunlop, LLC, W&D, Inc. and Green Park, Column generally agreed to indemnify Walker & Dunlop, LLC against liability arising from Column's conduct prior to Column's transfer of the assets to Walker & Dunlop, LLC. However, pursuant to the Column Transaction Agreement, Column's indemnification obligation arises only after Column receives a claim notice following the resolution of the litigation that specifies the amount of Walker & Dunlop, LLC's claim.

To provide for greater certainty regarding Column's indemnification obligations before the resolution of this litigation and to cap our total loss exposure, we secured a further agreement from Column in November 2010 confirming that it will indemnify us for any liabilities that arise as a result of this litigation. As part of this further indemnification agreement, in the event Column is required to pay us for any liabilities under the Capital Funding litigation that it otherwise would not have been obligated to pay under the Column Transaction Agreement, we will indemnify Column for an amount up to $3.0 million. Also as part of this further indemnification agreement, William Walker, our Chairman, President and Chief Executive Officer, and Mallory Walker, former Chairman and current stockholder, in their individual capacities, agreed that if Column is required to indemnify us under this agreement and otherwise would not have been obligated to pay such amounts under the Column Transaction Agreement, Messrs. William Walker and Mallory Walker will pay any such amounts in excess of $3.0 million but equal to or less than $6.0 million. As a result of this agreement, we will have no liability or other obligation for any damage amounts in excess of $3.0 million arising out of this litigation. As a result of the indemnification claim procedures described above, we may be required to bear the significant costs of the litigation and any adverse judgment unless and until we are able to prevail on our indemnification claim. We believe that we will fully prevail on our indemnification claims against Column, and that we ultimately will incur no material loss as a result of this litigation, although there can be no assurance that this will be the case.

On November 17, 2010, Capital Funding filed an amended complaint adding Credit Suisse Securities (USA) LLC and its affiliates Column Guaranteed LLC and Column Financial, Inc. as defendants. In December 2010, Column assumed the defense of the Company pursuant to the indemnification agreement; counsel for Column will jointly defend Column and the Company in the litigation. Column has agreed to reimburse the Company for substantially all of the legal fees incurred by the Company prior to the date Column assumed the defense of the litigation, which total approximately $1 million.

For technical reasons, on March 4, 2011, Capital Funding was permitted to file a new complaint against all defendants containing the same allegations as set forth in the November 17, 2010 complaint. Capital Funding intends to dismiss the November 17, 2010 complaint and pursue the litigation under the March 4, 2011 complaint. On March 16, 2011, all defendants filed a motion to dismiss or for summary judgment with regard to all of Capital Funding's claims.

We cannot predict the outcome of any pending litigation and may be subject to consequences that could include fines, penalties and other costs, and our reputation and business may be impacted. Our management believes that any liability that could be imposed on us in connection with the disposition of any pending lawsuits would not have a material adverse effect on our business, results of operations, liquidity or financial condition.

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In the normal course of business, the Companies may be party to various claims and litigation.

NOTE 11—EARNINGS PER SHARE

The following weighted average shares and share equivalents are used to calculate basic and diluted earnings per share for the three months ended March 31, 2011 and 2010:

	For the three months ended March 31, 2011	2010
Weighted average number of shares outstanding used to calculate basic earnings per share	21,582,746	14,741,504
Dilutive securities:		
Unvested restricted shares	68,446	—
Weighted average number of shares and share equivalents outstanding used to calculated diluted earnings per share	21,651,192	14,741,504

The assumed proceeds used in the treasury method used for calculating the dilutive impact of restricted stock awards includes the strike price, unrecognized compensation costs and excess tax benefit associated with the awards. Options issued under the 2010 Equity Incentive Plan to purchase 214,987 shares of common stock were outstanding during the three months ended March 31, 2011 but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. There were no unvested restricted stock or stock option awards granted or outstanding in the three months ended March 31, 2010.

In January 2011, the underwriters of our initial public offering partially exercised their over-allotment option and the Company issued an additional 221,292 shares of our common stock. The over-allotment option was granted by the Company in connection with its initial public offering of 10,000,000 shares of common stock at $10.00 per share, which closed in December 2010. The Company offered 6,666,667 shares of common stock and selling stockholders offered 3,333,333 shares. With the addition of the over-allotment, net of selling stockholders, the Company sold 6,887,959 shares.

NOTE 12—STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity is presented below (dollars in thousands):

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balances at December 31, 2010	21,408,171	$ 214	$ 77,047	$ 47,381	$ 124,642
Net income	—	—	—	6,639	6,639
Issuance of common shares	221,292	2	2,051	—	2,053
Stock-based compensation	—	—	423	—	423
Balances at March 31, 2011	21,629,463	$ 216	$ 79,521	$ 54,020	$ 133,757

NOTE 13—TRANSACTIONS WITH RELATED PARTIES

As of March 31, 2011, Credit Suisse Securities (USA) LLC, through its ownership of Column, owns a 24% interest in the Company. From time to time, Credit Suisse refers HUD related financing opportunities to the Company. Credit Suisse receives a fee directly from the borrower if the loans are approved and closed. At March 31, 2011, the Company had accrued dividends payable of $1.8 million related to Credit Suisse's ownership stake prior to the Formation Transaction.

A subsidiary of the Company has contracted with Walker & Dunlop Fund Management, LLC (the "Advisor"), a registered investment advisor, of which Mr. Walker, our Chairman, President and Chief Executive Officer, is the sole member, for the Advisor to provide investment advisory services to a real estate fund pursuant to an investment advisory agreement. We provide consulting, overhead and other corporate services to the Advisor pursuant to a corporate services agreement for a fee which approximates our costs for such services. The amount of such fees for the three months ended March 31, 2011 and 2010 were approximately $0.2 million and $0.2 million, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the historical financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those expressed or contemplated in those forward looking statements as a result of certain factors, including those set forth under the headings "Forward-Looking Statements" and "Risk Factors" elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q of Walker & Dunlop, Inc. and subsidiaries (the "Company," "Walker & Dunlop," "we," "us"), may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this Form 10-Q reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause actual results to differ significantly from those expressed or contemplated in any forward-looking statement. Statements regarding the following subjects, among others, may be forward-looking:

- the future of GSEs and their impact on our business;
- our growth strategy;
- our projected financial condition, liquidity and results of operations;
- our ability to obtain and maintain warehouse and other loan funding arrangements;
- availability of and our ability to retain qualified personnel and our ability to develop relationships with borrowers, key principals and lenders;
- degree and nature of our competition;
- the outcome of pending litigation;
- changes in governmental regulations and policies, tax laws and rates, and similar matters and the impact of such regulations, policies and actions;
- our ability to comply with the laws, rules and regulations applicable to us;
- trends in the commercial real estate finance market, interest rates, commercial real estate values, the credit and capital markets or the general economy; and
- general volatility of the capital markets and the market price of our common stock.

While forward-looking statements reflect our good faith projections, assumptions and expectations, they are not guarantees of future results. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law. For a further discussion of these and other factors that could cause future results to differ materially from those expressed or contemplated in any forward-looking statements, see "Risk Factors."

Results of Operations for the Three Months Ended March 31, 2011 and 2010

Business

We are one of the leading providers of commercial real estate financial services in the United States, with a primary focus on multifamily loans. We originate, sell and service a range of multifamily and other commercial real estate financing products.

We currently do not originate loans for our balance sheet. We fund loans for GSE and HUD programs, generally through warehouse facility financings, and sell them to investors in accordance with the related loan sale commitment, which we obtain prior to loan closing. Proceeds from the sale of the loan are used to pay off the warehouse facility. The sale of the loan is typically completed 2 to 45 days after the loan is closed. In cases where we do not fund the loan, we act as a loan broker and service some of the loans. Our originators who focus on loan brokerage are engaged by borrowers to work with a variety of institutional lenders to find the most appropriate loan instrument for the borrowers' needs. These loans are then funded directly by the institutional lender and we receive an origination fee for placing the loan and a servicing fee for any loans we service.

We recognize gains from mortgage banking activities when we commit to both make a loan to a borrower and sell that loan to an investor. The gains from mortgage banking activities reflect the fair value attributable to loan origination fees, premiums or losses on the sale of loans, net of any co-broker fees, and the fair value of the expected net future cash flows associated with the servicing of loans, net of any guaranty obligations retained. We also generate revenue from net warehouse interest income we earn while the loan is held for sale in one of our warehouse facilities.

We retain servicing rights on substantially all of the loans we originate, and generate revenues from the fees we receive for servicing the loans, interest income from escrow deposits held on behalf of borrowers, late charges and other ancillary fees. Servicing fees are set at the time an investor agrees to purchase the loan and are generally paid monthly for the duration of the loan. Our Fannie Mae and Freddie Mac servicing engagements provide for make-whole payments to the Company in the event of a voluntary prepayment. Loans serviced outside of Fannie Mae and Freddie Mac do not typically require such payments.

We are currently not exposed to interest rate risk during the loan commitment, closing and delivery process. The sale or placement of each loan to an investor is negotiated prior to establishing the coupon rate for the loan. We also seek to mitigate the risk of a loan not closing. We have agreements in place with the GSEs and HUD that specify the cost of a failed loan delivery, also known as a pair off fee, in the event we fail to deliver the loan to the investor. The pair off fee is typically less than the deposit we collect from the borrower. Any potential loss from a catastrophic change in the property condition while the loan is held for sale using warehouse facility financing is mitigated through property insurance equal to replacement cost. We are also protected contractually from any failure to close by an investor. We have experienced only one failed delivery in our history and did not incur any loss.

We have risk-sharing obligations on most loans we originate under the Fannie Mae DUS program. When a Fannie Mae DUS loan is subject to full risk-sharing, we absorb losses on the first 5% of the unpaid principal balance of a loan, and above 5% we share a percentage of the loss with Fannie Mae, with our maximum loss capped at 20% of the unpaid principal balance of a loan (subject to doubling or tripling if the loan does not meet specific underwriting criteria or if the loan defaults within 12 months of its sale to Fannie Mae). We may, however, request modified risk-sharing at the time of origination, which reduces our potential risk-sharing losses from the levels described above. We regularly request modified risk-sharing based on such factors as the size of the loan, market conditions and loan pricing. We may also request modified risk-sharing on large transactions if we do not believe that we are being fully compensated for the risks of the transactions or to manage overall risk levels. Except for the Fannie Mae DUS loans acquired in the Column transaction, which were acquired subject to their existing Fannie Mae DUS risk-sharing levels, our current credit management policy is to cap each loan balance subject to full risk-sharing at $50 million. Accordingly, we currently elect to use modified risk-sharing for loans of more than $50 million in order to limit our maximum loss exposure on any one loan to $10 million (such exposure would occur in the event that the underlying collateral is determined to be completely without value at the time of loss).

Our servicing fees for risk-sharing loans include compensation for the risk-sharing obligations and are larger than the servicing fees we receive from Fannie Mae for loans with no risk-sharing obligations. We receive a lower servicing fee for modified risk-sharing than for full risk-sharing.

In December 2010, we completed our initial public offering, pursuant to which we sold 6,666,667 shares and selling stockholders sold 3,333,333 shares of our common stock at a price per share of $10.00, resulting in gross proceeds to the Company of $66.7 million. The offering was completed on December 20, 2010. We received net proceeds of $58.4 million from the initial public offering after deferred underwriting discounts and commissions and other accrued offering costs. In connection with our IPO, we completed the Formation Transaction through which Walker & Dunlop, LLC became a wholly owned subsidiary of Walker & Dunlop, Inc., a newly formed Maryland corporation. In connection with the Formation Transaction, members of the Walker family, certain of our directors and executive officers and certain other individuals and entities who owned direct and indirect equity interests in Walker & Dunlop, LLC contributed their respective interests in such entities to Walker & Dunlop, Inc. in exchange for shares of our common stock. Our predecessor entities have historically operated as pass-through tax entities (partnerships, LLCs and S-corporations). Accordingly, our historical earnings have resulted in only nominal federal and state corporate level expense. The tax liability has been the obligation of our owners. Upon closing our initial public offering on December 20, 2010, our income became subject to both federal and state corporate tax.

On January 19, 2011, we issued an additional 221,292 shares of common stock at $10.00 per share upon the partial exercise of the overallotment option by the underwriters. We received net proceeds of approximately $2.1 million, net of underwriting discounts and commissions of approximately $0.2 million.

Basis of Presentation

The accompanying condensed consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. Prior to the Formation Transaction, the financial results of operations include the condensed consolidated financial results of all wholly owned subsidiaries of Walker & Dunlop, Inc. and entities under common control, which became wholly owned subsidiaries of Walker & Dunlop, Inc. upon completion of the Formation Transaction and closing of our initial public offering on December 20, 2010. Concurrently with the closing of our initial public offering in December 2010, the investors in the Walker & Dunlop predecessor entities individually and collectively combined the predecessor entities which had been previously operated and reported as companies under common control. These investors exchanged their member interests for their pro rata interest, adjusted for company specific debt included in the transaction, in

14,741,504 shares in the newly formed company. This transaction was reported for accounting purposes as a combination of companies under common control and the stock issuance was reported as a stock-split.

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and other factors management believes to be reasonable. Actual results may differ from those estimates and assumptions. We believe the following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our condensed consolidated financial statements.

Mortgage Servicing Rights and Guaranty Obligations. MSRs are recorded at fair value the day we sell a loan. The fair value is based on estimates of future net cash flows associated with the servicing rights. The estimated net cash flows are discounted at a rate that reflects the credit and liquidity risk of the MSR over the estimated life of the underlying loan.

In addition to the MSR, for all Fannie Mae DUS loans with risk-sharing obligations, upon sale we record the fair value of the obligation to stand ready to perform over the term of the guaranty (non-contingent obligation), and the fair value of the expected loss from the risk-sharing obligations in the event of a borrower default (contingent obligation). In determining the fair value of the guaranty obligation, we consider the risk profile of the collateral, historical loss experience, and various market indicators. Generally, the estimated fair value of the guaranty obligation is based on the present value of the future cash flows expected to be paid under the guaranty over the life of the loan (historically three to five basis points annually), discounted using a 12-15 percent discount rate. Historically, the contingent obligation recognized has been de minimis. The estimated life and discount rate used to calculate the guaranty obligation are consistent with those used to calculate the corresponding MSR.

The MSR and associated guaranty obligation are amortized into expense over the estimated life of the loan. The MSR is amortized in proportion to, and over the period, that net servicing income is expected to be received. The guaranty obligation is amortized evenly over the same period. If a loan defaults and is not expected to become current or pays off prior to the estimated life, the unamortized MSR and guaranty obligation balances are expensed.

We carry the MSRs at the lower of amortized value or fair market value and evaluate the carrying value quarterly. We engage a third party to value our MSRs on an annual basis.

The Provision for Risk-Sharing Obligations. The amount of the provision considers our assessment of the likelihood of payment by the borrower or key principal(s), the estimated disposition value of the underlying collateral and the level of risk-sharing. Historically, the estimate of loss recognition occurs at or before the loan becoming 60 days delinquent.

Overview of Current Business Environment

In the three months ended March 31, 2011, we have seen a continuation of the gradual economic growth experienced in 2010, after the period of economic instability which began in the latter half of 2007 and continued through 2008 and 2009. In 2011, we have seen evidence of credit quality stabilizing within our portfolio and the broader market, as evidenced by observed decreases in delinquency rates. We have also seen CMBS return as a financing source, after two years of near inactivity in the CMBS market. We believe demand for commercial real estate loans will increase as substantial levels of existing debt mature and commercial real estate investment activity rebounds. We believe multifamily lending will continue to be characterized by the strong market presence of GSEs and HUD, given the continued weakness of commercial banks and the secondary market for securitized loans.

The passage of the Dodd-Frank Act, signed into law in July 2010, introduces complex, comprehensive legislation, which will have far reaching effects on the industry. While we are not a banking institution, there is uncertainty as to how, in the coming years, Dodd-Frank will impact us and our competitors. Although we cannot predict what actions Congress or other governmental authorities may take affecting GSEs, HUD and companies operating in the commercial real estate and finance sectors, we expect some degree of regulatory change is likely. Congress and other governmental authorities have also suggested that lenders should be required to retain on their balance sheet a portion of the loans that they originate, although no regulation has yet been implemented. We may be subject to additional liquidity and capital requirements in the future.

Separately, Fannie Mae has recently increased its collateral requirements under the Fannie Mae DUS program, for new and existing loans classified by Fannie Mae as Tier II, from 35 basis points to 60 basis points, beginning April 1, 2011. The incremental collateral required for existing and new loans will be funded over approximately the next three years, in accordance with Fannie Mae requirements. Fannie Mae has not modified collateral requirements on other Fannie Mae tier classification loans. Fannie Mae also has indicated that it intends to reassess the adequacy of its collateral requirements on an annual basis, starting as of October 2011.

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Results of Operations

Following is a discussion of our results of operation for the three months ended March 31, 2011 and 2010. The financial results are not necessarily indicative of future results. Our business is not typically subject to seasonal trends. However, our quarterly results have fluctuated in the past and are expected to fluctuate in the future, reflecting the interest rate environment, the volume of transactions and general economic conditions. Please refer to the table below, which provides supplemental data regarding our financial performance.

Dollars in thousands	For the three months ended March 31, 2011	2010
Origination Data:		
Origination Volumes by Investor		
Fannie Mae	$ 303,825	$ 418,181
Freddie Mac	51,406	187,580
Ginnie Mae - HUD	82,316	368,445
Other (1)	69,950	11,359
Total	$ 507,497	$ 985,565
Key Expense Metrics (as a percentage of total revenues)		
Personnel expenses	32%	47%
Other operating expenses	10%	9%
Total expenses	63%	67%
Key Origination Metrics (as a percentage of origination volume):		
Origination related fees	1.45%	1.62%
Fair value of MSRs created, net	1.87%	0.92%

	As of March 31, 2011	2010
Servicing Portfolio by Type		
Fannie Mae	$ 9,600,772	$ 8,723,736
Freddie Mac	2,485,301	2,052,916
Ginnie Mae - HUD	920,946	400,257
Other (1)	1,849,491	1,905,377
Total	$ 14,856,510	$ 13,082,286
Key Servicing Metrics (end of period):		
Weighted-average servicing fee rate	0.21%	0.19%

(1) CMBS, life insurance companies and commercial banks

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Overview

Our consolidated income from operations was $10.9 million for the three months ended March 31, 2011, compared to $10.7 million for the three months ended March 31, 2010, a 1% increase. Our total revenues were $29.0 million for the three months ended March 31, 2011, compared to $32.9 million for the three months ended March 31, 2010, a 12% decrease. Our total expenses were $18.1 million for the three months ended March 31, 2011, compared to $22.2 million for the three months ended March 31, 2010, an 18% decrease. Our operating margin was 37% for the three months ended March 31, 2011, compared to 33% for the three months ended March 31, 2010. The decrease in revenues for the three months ended March 31, 2011 is primarily attributable to the decrease in overall origination volumes, offset by higher combined mortgage banking gains per transaction when compared to the same period in the prior year and an assumption transaction fee received in the three months ended March 31, 2011, as there was no comparable fee received in the same period in 2010. The decrease in expenses for the three months ended March 31, 2011, when compared to the three months ended March 31, 2010, is primarily attributed to a decrease in personnel costs associated with producer commissions on lower loan origination volumes, offset by increases in amortization expense on the increased overall mortgage servicing rights portfolio.

Our net income was $6.6 million for the three months ended March 31, 2011, compared to $10.7 million for the three months ended

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March 31, 2010. Our 2011 income was reduced by income tax expense of $4.2 million. Our net income for the three months ended March 31, 2010 did not contain any similar tax expense because prior to the Formation Transaction, our predecessor entities operated as pass through entities. Pro forma net income for the three months ended March 31, 2010 was computed as if income from operations for the period had been taxed at the composite rate of 38.9% in effect in 2011, rather than at the individual investor level for pass through entities. Our net income for the three months ended March 31, 2011 was $6.6 million, compared to pro forma net income of $6.6 million for the three months ended March 31, 2010, a 1% increase.

Revenues

Gains From Mortgage Banking Activities. Gains from mortgage banking activities were $16.8 million for the three months ended March 31, 2011, compared to $25.0 million for the three months ended March 31, 2010, a 33% decrease. Gains from mortgage banking activities reflect the fair value of loan origination fees, premiums or losses on the sale of loans, net of any co-broker fees, and the fair value of the expected net future cash flows associated with the servicing of the loan, net of any guaranty obligations retained.

Loan origination related fees were $7.4 million for the three months ended March 31, 2011, compared to $16.0 million for the three months ended March 31, 2010, a 54% decrease. This decrease was primarily attributable to a decrease in origination volumes and a shift in product mix, particularly in the relative percentages of Fannie Mae and HUD originations. Origination volumes were $507 million for the three months ended March 31, 2011, compared to $986 million for the three months ended March 31, 2010, a 49% decrease. The GSEs and HUD comprised 84% and 99% of originations in the three months ended March 31, 2011 and 2010, respectively. Our origination fees as a percentage of origination volumes were 145 basis points in the three months ended March 31, 2011, down from 162 basis points in the same period in 2010, a 10% decrease.

The fair value of the expected net future cash flows associated with the servicing of originated loans was $9.5 million for the three months ended March 31, 2011, compared to $9.1 million for the three months ended March 31, 2010, a 4% increase. This increase was primarily attributable to a shift in product mix, offset by lower origination volumes. The fair value of the expected net future cash flows associated with the servicing of originated loans, as a percentage of origination volumes, was 187 basis points in the three months ended March 31, 2011, compared to 92 basis points in the three months ended March 31, 2010.

Servicing Fees. Servicing fees were $7.7 million for the three months ended March 31, 2011, compared to $6.2 million for the three months ended March 31, 2010, a 24% increase. This increase was primarily attributable to a 14% increase in the servicing portfolio to $14.9 billion at March 31, 2011 from $13.1 billion at March 31, 2010, coupled with an increase in the weighted-average servicing fee rate to 21 basis points at March 31, 2011 from 19 basis points at March 31, 2010, an 11% increase. The higher weighted-average servicing fee reflects a year over year increase in the servicing fee rate and represents a shift in the composition of the servicing portfolio to higher revenue loans, as a greater percentage of the portfolio was comprised of Fannie Mae loans in the three months ended March 31, 2011 when compared to the same period in 2010.

Net Warehouse Interest Income. Net warehouse interest income was $0.7 million for the three months ended March 31, 2011, compared to $0.6 million for the three months ended March 31, 2010, a 26% increase. The increase is attributed to the use of funds from our December 2010 initial public offering to provide warehouse financing on a continuous basis throughout the first quarter of 2011, offset by lower origination and closing volumes. The components of net warehouse interest income are (in thousands):

	For the three months ended March 31,	
	2011	2010
Warehouse interest income	$ 1,721	$ 1,075
Warehouse interest expense	1,004	508
Warehouse interest income, net	$ 717	$ 567

Escrow Earnings and Other Interest Income. Escrow earnings and other interest income was $0.3 million for the three months ended March 31, 2011, compared to $0.5 million for the three months ended March 31, 2010, a 25% increase. This decrease is primarily attributable to a decrease in the rate earned on escrow holdings, offset by greater escrow balances associated with the growth in the servicing portfolio.

Other. Other income was $3.4 million for the three months ended March 31, 2011, compared to $0.6 million for the three months ended March 31, 2010, a 447% increase. This increase was primarily attributable to an assumption fee of $2.5 million received pursuant to the transfer of a credit facility. A borrower entered into a purchase and sale agreement for properties which served as collateral for a credit facility. The acquirer sought to assume the loan under similar terms, which required the approval of Fannie Mae, as lender, and the Company, as servicer; for which the Company and Fannie Mae received a fee of $4.9 million which was divided equally between the two parties. This fee was subject to the normal commission structure, as with other loan origination fee income.

Expenses

Personnel. Personnel expense was $9.2 million for the three months ended March 31, 2011, compared to $15.3 million for the three months ended March 31, 2010, a 40% decrease. This decrease was primarily attributable to the decrease in origination volumes, and as a result, lower producer commissions in the three months ended March 31, 2011 as compared to the same period in the prior year, offset by higher fixed compensation costs year over year as headcount increased.

Amortization and Depreciation. Amortization and depreciation expense was $4.9 million for the three months ended March 31, 2011, compared to $3.4 million for the three months ended March 31, 2010, a 42% increase. This increase was primarily attributable to an increase in the mortgage servicing rights portfolio balance due to increases in the loan origination volume and capitalized mortgage servicing rights in the preceding periods.

Provision for Risk-Sharing Obligations. The provision for risk-sharing obligations was $0.7 million for the three months ended March 31, 2011, compared to $(0.1) million for the three months ended March 31, 2010, an $0.8 million increase. The provision for risk-sharing obligations was one and zero basis points of the Fannie Mae at risk portfolio balances as of March 31, 2011, and 2010, respectively. The increase observed in the three months ended March 31, 2011 is primarily attributable to the default of one loan. The remaining increase in the provision is attributed to minor refinements of loss estimates on loans with an existing allowance, as updated information regarding the properties and loans is known.

The 60-day delinquency rate decreased to 0.48% of the at risk portfolio at March 31, 2011 from 0.81% of the at risk portfolio at March 31, 2010, and the allowance for risk-sharing obligations as a percentage of the specifically identified at risk balances decreased to 7.6% at March 31, 2011, compared to 8.8% at March 31, 2010. Net write-offs were $0 for the three months ended March 31, 2011, compared to $2.1 million or four basis points of the at risk portfolio for the three months ended March 31, 2010. We have not been party to, or incurred any losses relating to, troubled debt restructurings within our servicing portfolio.

Interest Expense on Corporate Debt. The interest expense on corporate debt was $0.3 million for the three months ended March 31, 2011, compared to $0.4 million for the three months ended March 31, 2010, a 29% decrease. This decrease was primarily attributable to a 18% decrease in the average corporate debt outstanding, due to contractual principal reduction payments.

Other Operating Expenses. Other operating expenses were $3.0 million for the three months ended March 31, 2011, compared to $3.1 million for the three months ended March 31, 2010, a 3% decrease. This decrease was primarily attributable to decreases in marketing and other expenses, offset by increases in office expenses.

Income Tax Expense. Income tax expense for the three months ended March 31, 2011 was $4.2 million. There was no income tax expense recognized in the three months ended March 31, 2010 due to our predecessor entities' pass through tax status. On a pro forma basis, income tax expense for the three months ended March 31, 2010 was $4.2 million. We used a combined effective federal and state tax rate of 38.9% to estimate our presented pro forma tax expense, as if the Company had been a tax paying corporation, for the period ended March 31, 2010.

Financial Condition

Cash Flows from Operating Activities

Our cash flows from operations are generated from loan sales, servicing fees, escrow earnings, net warehouse interest income and other income, net of loan purchases and operating costs. Our cash flows from operations are impacted by the fees generated by our loan originations, the timing of loan closings and the period of time loans are held for sale in the warehouse loan facility, prior to delivery to the investor.

Cash Flow from Investing Activities

We usually lease facilities and equipment for our operations. However, when necessary and cost effective, we invest immaterial amounts of cash in property, plant and equipment.

Cash Flow from Financing Activities

We use our warehouse loan facilities and our corporate cash to fund loan closings. We believe that our current warehouse loan facilities are adequate to meet our increasing loan origination needs. Historically we have used long-term debt to fund acquisitions.

Although prior to the Formation Transaction our excess cash flows from operations were distributed to owners, we currently have no intention to pay dividends on our common stock in the foreseeable future.

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Our unrestricted cash balance was $43.4 million and $10.1 million as of March 31, 2011, and March 31, 2010, respectively, a $33.4 million increase.

Changes in cash flows from operations were driven primarily by loans acquired and sold. Such loans are held for short periods of time, generally less than 45 days, and impact cash flows presented as of a point in time. Cash provided by operating activities was $182.4 million for the three months ended March 31, 2011 compared to $52.4 million for the three months ended March 31, 2010. The increase in cash flows used in operations in the three months ended March 31, 2011 is primarily attributable to the receipt of $190.1 million proceeds from funding loan originations, net of sales of loans to third parties; compared to proceeds of $48.1 million from funding loan originations, net of sales to third parties in the three months ended March 31, 2010. Excluding cash provided by and used for the sale and purchase of loans, cash flows provided by operations was $7.6 million in the three months ended March 31, 2011 compared to cash flows from operations of $4.3 million for the three months ended March 31, 2010.

We invested $0.3 million and $0.1 million for the three months ended March 31, 2011, and 2010, respectively, a $0.2 million decrease. These amounts represent immaterial investments in property, plant and equipment.

Cash used in financing activities was $172.1 million for the three months ended March 31, 2011 compared to $52.6 million cash used in financing activities for the three months ended March 31, 2010. This increase is primarily attributed to the increase in repayments of warehouse notes payable, concurrent with the sale of loans to third parties, partially offset by the proceeds received from the issuance of common stock related to the underwriters' partial exercise of an overallotment option associated with our initial public offering.

Liquidity and Capital Resources

Uses of Liquidity, Cash and Cash Equivalents

Our cash flow requirements consist of (i) short-term liquidity necessary to fund mortgage loans, (ii) working capital to support our day-to-day operations, including debt service payments, servicer advances consisting of principal and interest advances for Fannie Mae or HUD loans that become delinquent and advances on insurance and tax payments if the escrow funds are insufficient, and (iii) liquidity necessary to meet the annual $3.6 million principal reduction requirement of our term note obligation which matures on October 31, 2015.

We also require working capital to satisfy collateral requirements for our Fannie Mae DUS risk-sharing obligations and to meet the operational liquidity requirements of Fannie Mae, Freddie Mac, HUD, Ginnie Mae and our warehouse facility lenders. Fannie Mae has indicated that it will be increasing its collateral requirements for certain loans, see "Restricted Cash and Pledged Securities". Congress and other governmental authorities have also suggested that lenders will be required to retain on their balance sheet a portion of the loans that they originate, although no regulation has yet been implemented. In either scenario, we would require additional liquidity to support any future increased collateral requirements.

Fannie Mae has established benchmark standards for capital adequacy, and reserves the right to terminate the Company's servicing authority for all or some of the portfolio, if at any time it determines that the Company's financial condition is not adequate to support its obligation under the DUS agreement. The Company is required to maintain acceptable net worth as defined in the standards, and the Company satisfied the requirements as of March 31, 2011. The net worth requirement is derived primarily from unpaid balances on Fannie Mae loans and the level of risk-sharing. At March 31, 2011, the net worth requirement was $46.0 million and the Company's net worth was $134.2 million. As of March 31, 2011, we were required to maintain at least $8.5 million of liquid assets to meet our operational liquidity requirements for Fannie Mae, Freddie Mac, HUD, Ginnie Mae and our warehouse facility lenders. As of March 31, 2011, we had operational liquidity of $43.0 million.

We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends in the foreseeable future.

Historically, our cash flows from operations have been sufficient to enable us to meet our short-term liquidity needs and other funding requirements. Similarly, we believe that cash flows from operations will be sufficient for us to meet our current obligations for the next 12 months.

Restricted Cash and Pledged Securities

Restricted cash and pledged securities consist primarily of collateral for our risk-sharing obligations and good faith deposits held on behalf of borrowers between the time we enter into a loan commitment with the borrower and the investor purchases the loan. The amount of collateral required by Fannie Mae is a formulaic calculation at the loan level and considers the balance of the loan, the risk level of the loan, the age of the loan and the level of risk-sharing. As of March 31, 2011 we pledged securities to collateralize our Fannie Mae DUS risk-sharing obligations of $14.8 million, which was in excess of current requirement.

We fund any growth in our Fannie Mae required operational liquidity and collateral requirements from our working capital. Fannie Mae has recently increased its collateral requirements for certain segments of the Fannie Mae risk-sharing portfolio by approximately 25 basis points effective April 1, 2011. The incremental collateral required for existing and new loans will be funded over approximately the next three years, in accordance with Fannie Mae requirements. Based on our Fannie Mae portfolio as of March 31, 2011, the additional proposed collateral required by the end of the three year period is expected to be approximately $11.7 million. Fannie Mae also has indicated that it intends to reassess the adequacy of its collateral requirements on an annual basis, starting as of October 2011.

Sources of Liquidity: Warehouse Facilities

We have three warehouse facilities and a master purchase and sale agreement that we use to fund substantially all of our loan originations. Consistent with industry practice, two of these facilities are revolving commitments we expect to renew annually, one is an uncommitted facility we expect to renew annually, and the last facility is provided on an uncommitted basis without a specific maturity date. Our ability to originate mortgage loans depends upon our ability to secure and maintain these types of short-term financings on acceptable terms.

On March 16, 2011, the Company amended its master purchase and sale agreement which was scheduled to mature March 31, 2011. The amendment extends the maturity date of the purchase and sale agreement to March 16, 2012 and reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 250 basis points.

On May 12, 2011, the Company amended its committed warehouse line agreement which matures on November 28, 2011. The amendment reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 200 basis points and modifies certain covenants as follows: increases tangible net worth requirement to $100 million, decreases maximum ratio of total indebtedness to tangible net worth to 2.25 to 1.0, increases minimum unrestricted liquidity requirement to $10 million and eliminates the covenant regarding increases in the maximum delinquency rate change.

On May 11, 2011, the Company amended its committed warehouse line agreement which matures on June 29, 2011. The amendment reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 200 basis points and modifies certain covenants as follows: increases tangible net worth requirement to $100 million, decreases maximum ratio of total indebtedness to tangible net worth to 2.25 to 1.0, increases minimum unrestricted liquidity requirement to $10 million and eliminates the covenant regarding increases in the maximum delinquency rate change.

The agreements above contain cross-default provisions, such that if a default occurs under any of our debt agreements, generally the lenders under our other debt agreements could also declare a default. We are in compliance with all of our warehouse line covenants.

At March 31, 2011, we have provided warehouse funding for loans we originated with a total principal balance of $31.4 million, included in loans held for sale, using proceeds from our initial public offering. We plan to continue to utilize a portion of the capital raised in our initial public offering to provide warehouse funding for loans which we originate, until we choose to deploy the proceeds in another manner.

Debt Obligations

On October 31, 2006, we entered into a $42.5 million term note agreement which matures on October 31, 2011. All of the ownership interests in Walker & Dunlop, LLC, our wholly owned subsidiary, are pledged as collateral for the note. The loan has annual principal reductions of $3.6 million. As of March 31, 2011, the outstanding note balance was $26.1 million.

On May 11, 2011, the Company amended the term note agreement which matures on October 31, 2011. The amendment reduces the rate for borrowing under the agreement to the average 30-day LIBOR plus 250 basis points and extends the maturity date to October 31, 2015. The amendment modifies certain agreement covenants as follows: increases tangible net worth requirement to $100 million, decreases maximum ratio of total indebtedness to tangible net worth to 2.25 to 1.0, increases minimum unrestricted liquidity requirement to $10 million, eliminates the covenant regarding increases in the maximum delinquency rate change, increases the minimum debt service ratio to 3.0 to 1.0, decreases the maximum loan to value ratio (for term debt) as a percentage of the mortgage servicing rights portfolio to 40%, increases the minimum total servicing portfolio requirement to $8 billion and increases the minimum total Fannie Mae servicing portfolio to $7.5 billion.

During 2008, we purchased small amounts of subsidiary equity from certain exiting employees and issued notes that are subordinated to the Bank of America credit agreement. The notes bear interest at the 90-day LIBOR plus 200 basis points and will be repaid in five annual installments after the Bank of America debt has been repaid. As of March 31, 2011, the aggregate outstanding balance of the notes was $0.5 million.

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In January 2006, we entered into a $7.6 million purchase money note. The note required monthly payments and bore an annual interest rate of 7.275%. The loan matured and was paid in full in January 2011.

Credit Quality and Allowance for Risk-Sharing Obligations

The following table sets forth certain information useful in evaluating our credit performance.

Dollars in thousands	As of and for the three months ended March 31, 2011	2010
Key Credit Metrics		
Unpaid principal balance:		
Total servicing portfolio	$ 14,856,510	$ 13,082,285
Fannie Mae servicing portfolio:		
Fannie Mae Full Risk	6,032,264	5,471,492
Fannie Mae Modified Risk	1,989,102	1,516,300
Fannie Mae No Risk	1,579,406	1,735,944
Total Fannie Mae	$ 9,600,772	$ 8,723,736
Fannie Mae at risk servicing portfolio (1)	$ 6,846,935	$ 5,970,948
60 Day delinquencies, within at risk portfolio	32,545	48,289
At risk loan balances associated with allowance for risk-sharing obligations (2)	$ 153,746	$ 37,800
Allowance for risk-sharing obligations:		
Beginning balance	$ 10,873	$ 5,552
Provision for risk-sharing obligations	746	(76)
Net write-offs	—	(2,148)
Ending balance	$ 11,619	$ 3,328
60 Day delinquencies as a percentage of the at risk portfolio	0.48%	0.81%
Provision for risk-sharing as a percentage of the at risk portfolio	0.01%	0.00%
Allowance for risk-sharing as a percentage of the at risk portfolio	0.17%	0.06%
Net write-offs as a percentage of the at risk portfolio	0.00%	0.04%
Allowance for risk-sharing as a percentage of the specifically identified at risk balances	7.56%	8.80%

(1) At risk servicing portfolio is defined as the balance of Fannie Mae DUS loans subject to the risk-sharing formula described below. Use of the at risk portfolio provides for comparability of the full risk-sharing and modified risk-sharing loans because the provision and allowance for risk-sharing obligations are based on the at risk balances of the associated loans. Accordingly, we have presented the key statistics as a percentage of the at risk portfolio.

For example, a $15 million loan with 50% DUS risk-sharing has the same potential risk exposure as a $7.5 million loan with full DUS risk-sharing. Accordingly, if the $15 million loan with 50% DUS risk-sharing was to default, the Company would view the overall loss as a percentage of the at risk balance, or $7.5 million, to ensure comparability between all risk-sharing obligations. To date, all of the Company's risk-sharing obligations that we have settled have been from full risk-sharing loans.

(2) There are loans within our servicing portfolio which are greater than sixty days delinquent, and are included in 60 day delinquencies, within our at risk portfolio, for which no allowance has been recorded because our estimate of the fair value of the underlying collateral is greater than the unpaid principal balance of the associated loan. Accordingly, we do not anticipate recognizing a loss for these loans upon settlement of our risk-sharing obligation with Fannie Mae.

Fannie Mae DUS risk-sharing obligations are based on a tiered formula. The risk-sharing tiers and amount of the risk-sharing obligations we absorb under full risk-sharing are provided below. Except as described in the following paragraph, the maximum amount of risk-sharing obligations we absorb is 20% of the unpaid principal balance of the loan at the time of default.

Risk-Sharing Tier	Percentage Absorbed by Us
First 5% of unpaid principal balance	100%
Next 20% of unpaid principal balance	25%
Losses Above 25% of unpaid principal balance	10%
Maximum lender loss	20% of unpaid principal balance

Fannie Mae can double or triple our risk-sharing obligation if the loan does not meet specific underwriting criteria or if a loan defaults within 12 months of its sale to Fannie Mae. We may request modified risk-sharing at the time of origination, which reduces our potential risk-sharing obligation from the levels described above.

We use several tools to manage our risk exposure under the Fannie Mae DUS risk-sharing program. These tools include maintaining a strong underwriting and approval process, evaluating and modifying our underwriting criteria given the underlying multifamily housing market fundamentals, limiting our market and borrower exposures and electing the modified risk-sharing option under the Fannie Mae DUS program.

We monitor our underwriting criteria in light of changing economic and market conditions. In 2006 when we believed the CMBS issuers relaxed their underwriting criteria, we did not mirror those changes. Furthermore, in 2008 we strengthened our underwriting criteria in response to deteriorating market conditions. We believe these actions reduced our risk exposure under the Fannie Mae DUS risk sharing program; however, these actions also restricted growth in our origination volumes.

We regularly request modified risk-sharing based on such factors as the size of the loan, market conditions and loan pricing. Except for the Fannie Mae DUS loans acquired in the Column transaction, which were acquired subject to their existing Fannie Mae DUS risk-sharing levels, our current credit management policy is to cap the loan balance subject to full risk-sharing at $50 million. Accordingly, we currently elect to use modified risk-sharing for loans of more than $50 million in order to limit our maximum loss on any loan to $10 million.

A provision for risk-sharing obligations is recorded, and the allowance for risk-sharing obligations is increased, when it is probable that we have incurred risk-sharing obligations. The provisions historically have been for Fannie Mae loans with full risk-sharing. The amount of the provision considers our assessment of the likelihood of payment by the borrower, the value of the underlying collateral and the level of risk-sharing. Historically, the loss recognition occurs at or before the loan becoming 60 days delinquent. Our estimates of value are determined considering broker opinions and other sources of market value information relevant to underlying property and collateral. Risk-sharing obligations are written off against the allowance at final settlement with Fannie Mae.

As of March 31, 2011 and 2010, $32.5 million and $48.3 million, respectively, of our Fannie Mae at risk balances were more than 60 days delinquent. For the three months ended March 31, 2011 and 2010, our provisions for risk-sharing obligations were $0.7 million $(0.1) million, respectively, or 1 basis point and 0 basis points of the Fannie Mae at risk balance, respectively.

As of March 31, 2011 and 2010, our allowance for risk-sharing obligations was $11.6 million and $3.3 million, respectively, or 17 basis points and 6 basis points of the Fannie Mae at risk balance, respectively. Our risk-sharing obligation with Fannie Mae requires, in the event of delinquency or default, that we advance principal and interest payments to Fannie Mae on behalf of the borrower. Advances made by us are used to reduce the proceeds required to settle any ultimate loss incurred. As of March 31, 2011, we have advanced $5.1 million of principal and interest payments on the loans associated with our $11.6 million allowance. Accordingly, if the $11.6 million in estimated losses is ultimately realized, the Company would be required to fund an additional $6.5 million.

We have never been required to repurchase a loan.

Off-Balance Sheet Risk

We do not have any off-balance sheet arrangements.

New/Recent Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC Topic 820, *Fair Value Measurements and Disclosures*, and requires new disclosures about recurring or nonrecurring fair value measurements, to include transfers in and out of Levels 1 and 2, a reconciliation for fair value measurements using Level 3 inputs, and clarifies disclosure requirements for fair value measurements. ASU 2010-06 is effective for fiscal years beginning after December 15, 2010. The adoption of this guidance expanded our disclosures regarding fair value measurements (Note 9) but did not have a material impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are not currently exposed to interest rate risk during the loan commitment, closing and delivery process. The sale or placement of each loan to an investor is negotiated prior to closing on the loan with the borrower, and the sale or placement is effectuated within 2 to 45 days of closing. The coupon rate for the loan is set after we have established the interest rate with the investor.

Some of our assets and liabilities are subject to changes in interest rates. Earnings from escrows are generally based on LIBOR. A 100 basis point increase or decrease in the average 30-day LIBOR would increase or decrease, respectively, our annual earnings by approximately $1.7 million based on our escrow balance as of March 31, 2011. The borrowing cost of our warehouse facilities are based on LIBOR. A 100 basis point increase or decrease in the average 30-day LIBOR would decrease or increase, respectively, our annual net warehouse interest income by approximately $0.8 million based on our outstanding warehouse balance as of March 31, 2011. Approximately $26.6 million of our corporate debt is based on the average 30-day LIBOR. A 100 basis point increase or decrease in the average 30-day LIBOR would decrease or increase, respectively, our annual earnings by approximately $0.3 million based on our outstanding corporate debt as of March 31, 2011.

The fair value of our MSRs is subject to market risk. A 100 basis point increase or decrease in the weighted average discount rate would decrease or increase, respectively, the fair value of our MSRs by approximately $3.6 million or $7.2 million, respectively, as of March 31, 2011. Our Fannie Mae and Freddie Mac servicing engagements provide for make-whole payments in the event of a voluntary prepayment prior to the expiration of the prepayment protection period. Our servicing contracts with institutional investors and HUD do not require payment of a make-whole amount. As of March 31, 2011, 93% of the service fees are protected from the risk of prepayment through make-whole requirements; hence, we do not hedge our servicing portfolio for prepayment risk.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. There have been no changes in our internal controls over financial reporting in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in legal proceedings affecting us and our subsidiaries. The discussion of our business and operations should be read together with the legal proceedings contained in Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010. The risk factors disclosed in our Annual Report on Form 10-K, in addition to the other information set forth in this report, could materially affect our business, financial condition or results. Additional risk and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition or results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds

On December 13, 2010, the SEC declared effective our initial public offering registration statement (File No. 333-168535), pursuant to which we registered and sold 6,666,667 shares of our common stock at a price per share of $10.00, resulting in gross proceeds of $66.7 million. The offering was completed on December 20, 2010. In connection with the initial public offering, the Company paid $4.7 million in underwriting discounts and commissions. We also incurred approximately $3.6 million of other costs in connection with the offering. We received net proceeds of $58.4 million from the initial public offering after deferred underwriting discounts and commissions and other accrued offering costs.

On January 19, 2011, we issued an additional 221,292 shares of common stock at $10.00 per share upon exercise of the overallotment option by the underwriters. We received net proceeds of approximately $2.1 million, net of underwriting discounts and commissions of approximately $0.2 million.

The initial public offering was underwritten by Credit Suisse Securities (USA) LLC, Keefe, Bruyette & Woods, Inc., and Morgan Stanley & Co. Incorporated, acting as representatives of each of the following underwriters: Credit Suisse Securities (USA) LLC, Keefe, Bruyette & Woods, Inc., Morgan Stanley & Co. Incorporated, William Blair & Company, L.L.C., JMP Securities LLC and Stifel, Nicolaus & Company, Incorporated.

We currently intend to use the net proceeds we received from this offering to execute our growth strategy and fund working capital and for other general corporate purposes. We also may use a portion of these net proceeds for acquisitions of businesses or products that are complementary to our business, although we have no current understandings, commitments or agreements to do so. We cannot specify with certainty all of the particular uses for the net proceeds received. The expected use of net proceeds represents our current intentions based upon our present plans and business conditions.

Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds. Pending their uses, we plan to invest the net proceeds of this offering in U.S. government securities and other short-term, investment-grade, interest-bearing instruments or high-grade corporate notes. At March 31, 2011, we have provided warehouse funding for loans with a total principal balance of $31.4 million, included in loans held for sale, using proceeds from our initial public offering. These loans were subsequently sold, in fulfillment of our existing forward sale agreements. We plan to continue to utilize a portion of the capital raised in our initial public offering to provide warehouse funding for loans, until we choose to deploy the proceeds in another manner.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits:

2.1	Contribution Agreement, dated as of October 29, 2010, by and among Mallory Walker, Howard W. Smith, William M. Walker, Taylor Walker, Richard C. Warner, Donna Mighty, Michael Yavinsky, Edward B. Hermes, Deborah A. Wilson and Walker & Dunlop, Inc. (incorporated by reference to Exhibit 2.1 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on December 1, 2010)
2.2	Contribution Agreement, dated as of October 29, 2010, between Column Guaranteed LLC and Walker & Dunlop, Inc. (incorporated by reference to Exhibit 2.2 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on December 1, 2010)
2.3	Amendment No. 1 to Contribution Agreement, dated as of December 13, 2010, by and between Walker & Dunlop, Inc. and Column Guaranteed LLC. (incorporated by reference to Exhibit 2.3 to Amendment No. 6 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on December 13, 2010)
3.1	Articles of Amendment and Restatement of Walker & Dunlop, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on December 1, 2010)
3.2	Amended and Restated Bylaws of Walker & Dunlop, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on December 1, 2010)
4.1	Specimen Common Stock Certificate of Walker & Dunlop, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on September 30, 2010)
4.2	Registration Rights Agreement, dated December 20, 2010, by and among Walker & Dunlop, Inc. and Mallory Walker, Taylor Walker, William M. Walker, Howard W. Smith, III, Richard C. Warner, Donna Mighty, Michael Yavinsky, Ted Hermes, Deborah A. Wilson and Column Guaranteed LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2010)
4.3	Stockholders Agreement, dated December 20, 2010, by and among William M. Walker, Mallory Walker, Column Guaranteed LLC and Walker & Dunlop, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on

		Form 8-K filed on December 20, 2010)
10.1		Amendment No. 1 to Master Loan Purchase and Sale Agreement, dated as of March 16, 2011, between Walker & Dunlop, LLC and Kemps Landing Capital Company LLC (incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.2	†*#	2011 Annual Bonus Plan
10.3	*	Fifth Amendment to Amended and Restated Warehousing Credit and Security Agreement, dated May 11, 2011, by and among Walker & Dunlop, LLC, the Credit Agent and the Lenders
10.4	*	First Amendment to Warehousing Credit and Security Agreement, dated May 12, 2011, by and between Walker & Dunlop, LLC and PNC Bank, National Association
10.5	*	Sixth Amendment to Amended and Restated Credit Agreement, dated as of May 11, 2011, by and among GPF Acquisition, LLC, Walker & Dunlop Multifamily, Inc., Walker & Dunlop GP, LLC, Green Park Financial Limited Partnership, W&D, Inc., Walker & Dunlop, Inc., Walker & Dunlop, LLC, Bank of America, N.A. and the Lenders party thereto
31.1	*	Certification of Walker & Dunlop, Inc.'s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	*	Certification of Walker & Dunlop, Inc.'s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	*	Certification of Walker & Dunlop, Inc.'s Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

†: Denotes a management contract or compensation plan, contract or arrangement.
*: Filed herewith.
#: Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The omitted information has been filed separately with the Securities and Exchange Commission.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 13, 2011	By: /s/ William M. Walker William M. Walker *Chairman, President and Chief Executive Officer*
	By: /s/ Deborah A. Wilson Deborah A. Wilson *Executive Vice President, Chief Financial Officer and Treasurer*

Exhibit Index

Exhibit Number		Description
2.1		Contribution Agreement, dated as of October 29, 2010, by and among Mallory Walker, Howard W. Smith, William M. Walker, Taylor Walker, Richard C. Warner, Donna Mighty, Michael Yavinsky, Edward B. Hermes, Deborah A. Wilson and Walker & Dunlop, Inc. (incorporated by reference to Exhibit 2.1 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-168535) filed on December 1, 2010)
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Sarbanes-Oxley Act of 2002

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*: Filed herewith.
#: Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The omitted information has been filed separately with the Securities and Exchange Commission.

Exhibit 10.2

CONFIDENTIAL TREATMENT REQUESTED

2011 Annual Bonus Plan

On March 24, 2011, the Compensation Committee of the Board of Directors adopted specific performance criteria which the Compensation Committee will consider when making cash bonus awards for 2011 to the Company's named executive officers, William Walker, Howard Smith, Deborah Wilson, Richard Warner and Richard Lucas. Each named executive officer's employment agreement provides for an annual bonus target of 100% of his or her base salary. The criteria and the percentage of the target bonus represented by each criteria are set forth below:

William Walker

Chairman, President & Chief Executive Officer

Bonus Drivers	% of Bonus
Budget revenue of $[***] million	30%
Earnings per share of $[***]	30%
[***]% capital deployment net IPO proceeds	20%
Over [***] employees	20%

Howard Smith

Executive Vice President & Chief Operating Officer

Bonus Drivers	% of Bonus
Budget revenue of $[***] million	25%
Earnings per share of $[***]	25%
$[***] billion production	20%
Add > [***] producers	15%
Expand capital markets into at least two regional offices	15%

Deborah Wilson

Executive Vice President & Chief Financial Officer

Bonus Drivers	% of Bonus
Budget revenue of $[***] million	20%
Earnings per share of $[***]	30%
[***]% capital deployment net IPO proceeds	15%
SOX 404 compliance	15%
Interim loan fund	10%
Net warehouse income budget of $[***] million	10%

Richard Warner

Executive Vice President & Chief Credit Officer

Bonus Drivers	% of Bonus
Budget revenue of $[***] million	30%
Earnings per share of $[***]	30%
<$[***] million in credit loss provisions (net of any provisions from an acquisition)	30%
Reduce 2011 underwriting cost per loan by [***]% below 2010 cost per loan of $[***]	10%

Richard Lucas

Executive Vice President & General Counsel

Bonus Drivers	% of Bonus
Budget revenue of $[***] million	25%
Earnings per share of $[***]	25%
[***]% capital deployment Net IPO Proceeds	25%
Effective handling of Capital Funding case	25%

[***] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [***]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Exhibit 10.3

FIFTH AMENDMENT TO AMENDED AND RESTATED WAREHOUSING
CREDIT AND SECURITY AGREEMENT

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED WAREHOUSING CREDIT AND SECURITY AGREEMENT (this "Amendment") is made as of May 11, 2011, by and among WALKER & DUNLOP, LLC (the "Borrower"), BANK OF AMERICA, N.A., as credit agent (the "Credit Agent"), the lenders party hereto (the "Lenders"), and, for the limited purposes set forth herein, Walker & Dunlop, Inc. (the "Parent"). Capitalized terms used herein without definition have the meanings specified therefor in that certain Amended and Restated Warehousing Credit and Security Agreement dated as of October 15, 2009, among the Borrower, the Credit Agent, and the Lenders, as amended (the "Loan Agreement").

R E C I T A L S

The Borrower, the Credit Agent, and the Lenders desire to further amend the Loan Agreement on, and subject to, the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements of the parties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. Effective as of the Effective Date (as hereafter defined), the Loan Agreement is amended as follows:

(a) Section 7.2 of the Loan Agreement is hereby deleted in its entirety, and replaced with the following:

"7.2 Financial Statements

Deliver to Credit Agent, in form and detail reasonably satisfactory to Credit Agent:

7.2(a) As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Parent, audited consolidated, and consolidating with respect to W&D, fiscal year-end statements of income and cash flows of the Parent for that year, and the related consolidated, and consolidating with respect to W&D, audited balance sheet as of the end of that year (setting forth in comparative form the corresponding figures for the preceding fiscal year), all in reasonable detail and accompanied by (1) an opinion as to those financial statements in form and substance reasonably satisfactory to Credit Agent and prepared by an independent certified public accounting firm reasonably acceptable to Credit Agent, and (2) if then available or otherwise within fifteen (15) days of receipt by the Parent, any management letters, management reports or other supplementary comments or reports delivered by those accountants to the Parent;

7.2(b) As soon as available and in any event within sixty (60) days after the end of each Fiscal Quarter of the Parent, including its last Fiscal Quarter, consolidated, and consolidating with respect to W&D, interim statements of income for that fiscal quarter and the period from the beginning of the fiscal year to end of that fiscal quarter, and the related consolidated and consolidating balance sheet (including contingent liabilities) as at the end of that fiscal quarter, all in reasonable detail, subject, however, to year-end audit adjustments;

7.2(c) Together with each delivery of financial statements required by this Section, a Compliance Certificate substantially in the form of Exhibit I."

(b) Section 7.3(a) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"7.3(a) As soon as available and in any event within sixty (60) days after the end of each Calendar Quarter, a consolidated report ("Servicing Portfolio Report") as of the end of the Calendar Quarter, as to all Mortgage Loans the servicing rights to which are owned by the Parent or its Affiliates, and separately for W&D (in each case, specified by investor type, recourse and non-recourse) regardless of whether the Mortgage Loans are Pledged Loans. The Servicing Portfolio Report must be in similar summary form as previously presented to Credit Agent (or as Credit Agent otherwise may agree), and must, at a minimum, indicate which Mortgage Loans (1) are current and in good standing, (2) are more than 30, 60 or 90 days past due, (3) are the subject of pending bankruptcy or foreclosure proceedings, or (4) have been converted (through foreclosure or other proceedings in lieu of foreclosure) into real estate owned by a member of the Parent's consolidated group, and include, by Mortgage Loan type (x) weighted average coupon, (y) weighted average maturity, and (z) weighted average servicing fee."

(c) Section 8 of the Loan Agreement is hereby amended as follows:

(i) A new Section 8.2(h) is hereby added immediately following Section 8.2(g):

"8.2(h) Cease to be (i) directly or indirectly wholly-owned by, (ii) controlled (as defined within the definition of "Affiliate") by, and (iii) included within the consolidated financial statements of, the Parent."

(ii) Sections 8.7, 8.8, 8.9 and 8.10 of the Loan Agreement are hereby deleted in their entirety, and replaced with "INTENTIONALLY OMITTED."

(d) A new Article 8A is hereby added to the Loan Agreement immediately following Article 8, to be treated as part of Article 8 of the Loan Agreement for all purposes thereunder, including, without limitation, Section 10.1(b):

"8A. NEGATIVE COVENANTS

As long as the Warehousing Commitment is outstanding or there remain any Obligations to be paid or performed, none of the conditions set forth below shall exists or occur, with the second sentence of Section 8.6 hereof to apply to the following, as financial covenants:

8A.1 Minimum Tangible Net Worth

(a) The Parent's Tangible Net Worth shall at any time be less than $100,000,000.00, to be tested on the last day of each Fiscal Quarter, or (b) the Parent or any applicable Subsidiary shall otherwise not be in compliance with applicable net worth requirements of HUD or any Investor, including Fannie Mae and Freddie Mac.

8A.2 Leverage Ratio

The Parent's Leverage Ratio, determined on a consolidated basis, shall at any time exceed 2.25 to 1.

8A.3 Minimum Liquid Assets

The Parent's Liquid Assets, determined on a consolidated basis, shall at any time be less than $10,000,000.00, or the Parent's or any applicable Subsidiary's Liquid Assets shall otherwise not to be in compliance with applicable requirements of HUD or any Investor, including Fannie Mae and Freddie Mac.

8A.4 Servicing Delinquencies

The aggregate unpaid principal amount of Fannie Mae DUS Mortgage Loans within the Parent's consolidated Servicing Portfolio which are sixty (60) or more days past due or otherwise in default at any time exceeds two percent (2%) of the aggregate unpaid principal balance of all Fannie Mae DUS Mortgage Loans within the Parent's consolidated Servicing Portfolio at such time."

(e) Section 10.1(b) is hereby amended by adding the following text to the end thereof immediately before the period, to be part of the same sentence:

" or any of the conditions set forth in Article 8A hereof shall exist or occur."

(f) Section 13.1 of the Loan Agreement is hereby amended as follows:

(i) The following definitions are hereby deleted in their entirety, and replaced with the following:

"Applicable Margin" means (a) for LIBOR Loans, 2.00%, and (b) for Base Rate Loans, 2.00%.

"Leverage Ratio" means the ratio of a Person's Indebtedness to Tangible Net Worth. For the purposes of calculating the Parent's Leverage Ratio, there shall be excluded from "Indebtedness" (a) guaranty obligations to Fannie Mae pursuant to the Fannie Mae DUS Program, prior to the time liability is or could asserted thereunder, and (b) amounts from time to time outstanding under this Agreement, or any other warehouse lending facility the sole purpose of which, and the amounts advanced from time to time under which are used only to, finance the origination of Mortgage Loans secured by Multifamily Properties which Mortgage Loans are pre-sold to Fannie Mae, Freddie Mac, or another Investor.

"Tangible Net Worth" means, at any time of determination, the excess, at such time, of the Parent's and its Subsidiaries', on a consolidated basis, total assets, minus the sum of (i) total liabilities, and (ii) the book value of all intangible assets, including, without limitation, good will, trademarks, trade names, service marks, brand names, copyrights, patents and unamortized debt discount and expense, organizational expenses and the excess of the equity in any Subsidiary over the cost of the investment in such Subsidiary, all of the foregoing determined in accordance with GAAP applied in a manner consistent with the most recent audited financial statements delivered to Credit Agent under this Agreement. For the purposes of this definition, mortgage servicing rights shall not be considered intangible assets.

(ii) The following definition is added in the proper alphabetical sequence:

"Parent" means Walker & Dunlop, Inc., a Maryland corporation.

(g) Exhibit I to the Loan Agreement (Form of Compliance Certificate) is hereby deleted in its entirety and replaced with the form of Exhibit I annexed to this Amendment.

2. Additional Agreements. In order to implement certain amendments to the Loan Agreement set forth herein, the following additional provisions shall apply from and after the Effective Date:

(a) The representations and warranties set forth in Section 6.5 of the Loan Agreement shall apply to the Parent and the applicable financial statements of the Parent, and Section 6.5 and all applicable defined terms used therein, as the context may apply, shall be deemed amended accordingly.

(b) The representations and warranties set forth in the last two sentences of Section 6.16 shall apply to the Servicing Contracts of Parent and all of its Affiliates, including, without limitation, W&D.

(c) By its execution hereof, the Parent agrees to reasonably cooperate with the Agent and provide the Agent with information from time to reasonably requested by the Agent, in order for the Agent to determine compliance with the representations and warranties applicable to the Parent set forth in the Loan Agreement as amended by this Amendment and the requirements of Article 8A of the Loan Agreement as added pursuant to this Amendment.

3. Acknowledgments by Borrower. The Borrower acknowledges, confirms and agrees that:

(a) This Amendment is a Loan Document, and all references in any Loan Document to the Borrower's Obligations shall mean and include the Obligations as amended by this Amendment.

(b) Except as provided herein, the terms and conditions of the Loan Agreement and the other Loan Documents remain in full force and effect, and the Borrower hereby (x) ratifies, confirms and reaffirms all and singular of the terms and conditions of the Loan Agreement and the other Loan Documents, and (y) represents and warrants that:

(i) no Default or Event of Default exists as of the date the Borrower executes this Amendment, nor will a Default or Event of Default exist as of the Effective Date.

(ii) the representations and warranties made by the Borrower in the Loan Agreement and the other Loan Documents are true and correct as of the date hereof, and will be true and correct as of the Effective Date, except as to (1) matters which speak to a specific date, and (2) changes in the ordinary course to the extent permitted and contemplated by the Loan Agreement.

(iii) the Borrower and the Parent each has the power and authority and legal right to execute, deliver and perform this Amendment, has taken all necessary action to authorize the execution, delivery, and performance of this Amendment, and the person executing and delivering this Amendment on behalf of the Borrower and the Parent each is duly authorized to do so.

(iv) this Amendment constitutes the legal, valid and binding obligation of the Borrower and, to the extent of its agreements hereunder, the Parent, enforceable against the Borrower and the Parent in accordance with its terms, subject to the effect of applicable bankruptcy and other similar laws affecting the rights of creditors generally and the effect of equitable principles whether applied in an action at law or a suit in equity.

(c) The Borrower shall promptly pay upon receipt of an invoice or statement therefor the reasonable attorneys' fees and expenses and disbursements incurred by the Credit Agent and the Lenders in connection with this Amendment and any prior matters involving the Loan.

(d) The Borrower acknowledges that it has no defenses, set offs or counterclaims with respect to any of its obligations to the Credit Agent or the Lenders, and hereby releases, waives, and forever relinquishes all claims, demands, obligations, liabilities, and causes of action whatever kind or nature, whether known or unknown, which it has or may have as of the date hereof and as of the Effective Date against the Credit Agent or any Lender, or their respective affiliates, officers, directors, employees, agents, attorneys, independent contractors, and predecessors, together with their successors and assigns, directly or indirectly arising out of or based upon any matter connected with the Loan Agreement or the administration thereof or the obligations created thereby (including pursuant to this Amendment).

4. Conditions Precedent. This Amendment shall be effective upon the satisfaction by the Borrower of, or written waiver by the Credit Agent and the Lenders of, the following conditions and any other conditions set forth in this Amendment, by no later than 4:00 p.m. (Boston time) on the date of this Amendment, as such time and date may be extended in writing by the Credit Agent and the Lenders, in their sole discretion (with the date, if at all, by which such conditions have been satisfied or waived being referred to herein as, the "Effective Date"), failing which this Amendment and all related documents shall be null and void at the option of the Credit Agent and the Lenders:

(a) Delivery by the Borrower to the Credit Agent and each Lender of the following:

(i) This Amendment, duly executed by the Borrower, the Parent, the Credit Agent and each Lender.

(ii) Such certificates of resolutions or other actions, incumbency certificates and/or other certificates of an authorized officer the Borrower as the Credit Agent may require evidencing (A) the authority of the Borrower to enter into this Amendment and any other documents to be executed and delivered in connection herewith, and (B) the identity, authority and capacity of each officer of the Borrower authorized to act on its behalf in connection with this Amendment and the other Loan Documents.

(iii) Such other documents as the Credit Agent or any Lender reasonably may require, duly executed and delivered.

(b) No Default or Event of Default shall have occurred and be continuing.

(c) The representations and warranties of the Borrower contained in this Agreement or in any document, instrument, or agreement delivered or to be delivered in connection with this Agreement (i) shall have been true and correct in all material respects on the date that such representations and warranties were made, and (ii) shall be true and correct in all material respects on the Effective Date as if made on and as of such date.

(d) In addition to all other expense payment and reimbursement obligations of the Borrower under the Loan Agreement and other Loan Documents, the Borrower will, promptly following their receipt of an appropriate invoice therefor, pay or reimburse the Credit Agent and each Lender for all of their respective reasonable out of pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses and disbursements) incurred in connection with the preparation of this Amendment and any other documents in connection herewith and the matters addressed in and contemplated by, this Amendment.

5. Miscellaneous.

(a) This Amendment shall be governed in accordance with the internal laws of the Commonwealth of Massachusetts (without regard to conflict of laws principles) as an instrument under seal.

(b) This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Signatures transmitted electronically (including by fax or e-mail) shall have the same legal effect as originals, but each party nevertheless shall deliver original signed counterparts of this Amendment to each other party, upon request.

(c) This Amendment constitutes the complete agreement among the Borrower, the Parent, the Credit Agent, and the Lenders with respect to the subject matter of this Amendment and supersedes all prior agreements and understanding relating to the subject matter of this Amendment, and may not be modified, altered, or amended except in accordance with the Loan Agreement.

(d) Time is of the essence with respect to all aspects of this Amendment.

[Remainder of page intentionally left blank]

Executed as a sealed instrument as of the date first above written.

WALKER & DUNLOP, LLC

By: /s/ William M. Walker
Name: William M. Walker
Title: President and CEO

BANK OF AMERICA, N.A., as Credit Agent and a Lender

By: /s/ Jane E. Huntington
Name: Jane E. Huntington
Title: Senior Vice President

TD BANK, N.A., as a Lender

By: /s/ William J. Olsen
Name: William J. Olsen
Title: Senior Vice President

For the limited purposes set forth herein:

WALKER & DUNLOP, INC.

By: /s/ William M. Walker
Name: William M. Walker
Title: President and CEO

Exhibit 10.4

FIRST AMENDMENT TO WAREHOUSING CREDIT

AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO WAREHOUSING CREDIT AND SECURITY AGREEMENT (this "**First Amendment**") is made effective as of the 12th day of May, 2011, by and between (i) WALKER & DUNLOP, LLC, a Delaware limited liability company ("**Borrower**") and (ii) PNC BANK, NATIONAL ASSOCIATION ("**Lender**").

R E C I T A L S

WHEREAS, the Lender and the Borrower are parties to that certain Warehousing Credit and Security Agreement, dated as of June 30, 2010 (the "**Credit Facility Agreement**"), whereby upon the satisfaction of certain terms and conditions set forth therein, the Lender agreed to make Warehousing Advances from time to time, up to the Warehousing Credit Limit.

WHEREAS, the Borrower has requested, and the Lender has agreed, pursuant to the terms hereof to modify certain terms of the Credit Facility Agreement.

NOW, THEREFORE, for and in consideration of the premises, the mutual entry of this First Amendment by the parties hereto and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

Section 1. Recitals. The Recitals are hereby incorporated into this First Amendment as a substantive part hereof.

Section 2. Definitions. Terms used herein and not otherwise defined shall have the meanings set forth in the Credit Facility Agreement.

Section 3. Amendments to Credit Facility Agreement. The Credit Facility Agreement is hereby amended as follows:

(a) The term "Applicable Daily Floating LIBO Rate" set forth in Section 12.1 of the Credit Facility Agreement is hereby deleted and replaced with the following:

> "Applicable Daily Floating LIBO Rate" means, for any day, a rate per annum equal to the Daily LIBO Rate for such day, plus two percent (2.00%).

(b) Section 8.7 of the Credit Facility Agreement is hereby deleted and replaced with the following:

> "Section 8.7 Minimum Adjusted Tangible Net Worth. Permit the minimum Adjusted Tangible Net Worth of the Borrower, at the end of any Calendar Quarter to be less than One Hundred Million Dollars ($100,000,000)."

(c) Section 8.8 of the Credit Facility Agreement is hereby deleted and replaced with the following:

"Section 8.8 Maximum Indebtedness to Adjusted Tangible Net Worth. Permit the ratio of Borrower's Indebtedness (excluding Indebtedness under this Agreement) to Adjusted Tangible Net Worth of the Borrower at the end of any Calendar Quarter to be more than 2.25:1. "

(d) Section 8.11 of the Credit Facility Agreement is hereby deleted and replaced with the following:

"Section 8.11 Minimum Cash and Cash Equivalents. Permit the sum of Borrower's cash and Cash Equivalents at the end of any Calendar Quarter to be less than Ten Million Dollars ($10,000,000)."

Section 4. Ratification, No Novation, Effect of Modifications. Except as may be amended or modified hereby, the terms of the Credit Facility Agreement are hereby ratified, affirmed and confirmed and shall otherwise remain in full force and effect. Nothing in this First Amendment shall be construed to extinguish, release, or discharge or constitute, create or effect a novation of, or an agreement to extinguish, release or discharge, any of the obligations, indebtedness and liabilities of the Borrower or any other party under the provisions of the Credit Facility Agreement or any of the other Loan Documents, unless specifically herein provided.

Section 5. Amendments. This First Amendment may be amended or supplemented by and only by an instrument executed and delivered by each party hereto.

Section 6. Waiver. The Lender shall not be deemed to have waived the exercise of any right which it holds under the Credit Facility Agreement unless such waiver is made expressly and in writing (and no delay or omission by the Lender in exercising any such right shall be deemed a waiver of its future exercise). No such waiver made as to any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right. Without limiting the operation and effect of the foregoing provisions hereof, no act done or omitted by the Lender pursuant to the powers and rights granted to it hereunder shall be deemed a waiver by the Lender of any of its rights and remedies under any of the provisions of the Credit Facility Agreement, and this First Amendment is made and accepted without prejudice to any of such rights and remedies.

Section 7. Governing Law. This First Amendment shall be given effect and construed by application of the law of the Commonwealth of Pennsylvania.

Section 8. Headings. The headings of the sections, subsections, paragraphs and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

Section 9. Severability. No determination by any court, governmental body or otherwise that any provision of this First Amendment or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (i) any other such provision or (ii) such provision in any circumstance not controlled by such determination. Each such provision shall be valid and enforceable to the fullest extent allowed by, and shall be construed wherever possible as being consistent with, applicable law.

Section 10. Binding Effect. This First Amendment shall be binding upon and inure to the benefit of the Borrower, the Lender, and their respective permitted successors and assigns.

Section 11. Counterparts. This First Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, each of the parties hereto have executed and delivered this First Amendment under their respective seals as of the day and year first written above.

	BORROWER:
WITNESS:	WALKER & DUNLOP, LLC,
	a Delaware limited liability company
/s/ Deborah A. Wilson	By: /s/ William M. Walker
	Name: William M. Walker
	Title: President and CEO
WITNESS:	**LENDER:**
	PNC BANK, NATIONAL ASSOCIATION
/s/ Lou Stempkowski	By: /s/ Terri A. Wyda
	Name: Terri A. Wyda
	Title: Senior Vice President

Exhibit 10.5

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made as of May 11, 2011, by and among GPF Acquisition, LLC, Walker & Dunlop Multifamily, Inc., Walker & Dunlop GP, LLC, Green Park Financial Limited Partnership, W&D, Inc., Walker & Dunlop, Inc., and Walker & Dunlop, LLC (collectively, the "Obligor Group"), Bank of America, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), and the lenders party hereto (the "Lenders"). Capitalized terms used herein without definition have the meanings specified therefor in that certain Amended and Restated Credit Agreement dated as of January 30, 2009, by and among the Obligor Group, the Administrative Agent, and the Lenders, as amended (the "Credit Agreement").

R E C I T A L S

The Obligor Group, the Administrative Agent, and the Lenders desire to amend the Credit Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements of the parties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

6. Amendments. Effective as of the Effective Date (as hereafter defined), the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Loan Agreement is hereby amended as follows:

(i) The term "Adjusted Tangible Net Worth" is hereby deleted in its entirety.

(ii) The following definitions are hereby deleted in their entirety and replaced with the following:

"Applicable Margin" means 2.50%.

"EBITDA" means, at any date of determination thereof, an amount equal to the following, all as determined in accordance with GAAP (net of intercompany transactions and without duplication):

(a) Net Income for the most recently completed Measurement Period;

plus

(b) to the extent deducted in calculating Net Income: the sum of (i) depreciation expenses, (ii) amortization and write-offs of Servicing Contracts, (iii) any unrealized losses under the Rate Cap Agreement, and (iv) reserves for risk-sharing obligations relating solely to Fannie Mae DUS Mortgage Loans pursuant to the Fannie Mae DUS Program;

minus

(c) to the extent included in calculating Net Income, (i) capitalized amounts attributable to origination of Servicing Contract rights (ii) cash received under the Rate Cap Agreement and any unrealized gains under the Rate Cap Agreement, and (iii) the fair value of expected guaranty obligations.

"Maturity Date" means October 31, 2015.

"Net Income" means, for any period, the consolidated net income (or loss) of the Parent, before the deduction of income taxes, determined on a consolidated basis in accordance with GAAP.

(iii) The following definitions are hereby added in the proper alphabetical sequence:

"Tangible Net Worth" means, at any time of determination, the excess, at such time, of the Parent's and its Subsidiaries', on a consolidated basis, total assets, minus the sum of (i) total liabilities, and (ii) the book value of all intangible assets, including, without limitation, good will, trademarks, trade names, service marks, brand names, copyrights, patents and unamortized debt discount and expense, organizational expenses and the excess of the equity in any Subsidiary over the cost of the investment in such Subsidiary, all of the foregoing determined in accordance with GAAP applied in a manner consistent with the most recent audited financial statements delivered to Credit Agent under this Agreement. For the purposes of this definition, mortgage servicing rights shall not be considered intangible assets.

"Parent" means Walker & Dunlop, Inc., a Maryland corporation, which is also referred to as the "Company" pursuant to that certain Fifth Amendment to this Agreement dated as of December 7, 2010.

(b) Section 2.04 of the Agreement is hereby deleted in its entirety and replaced with "INTENTIONALLY OMITTED."

(c) Sections 6.01(a), (b) and (c) of the Credit Agreement are hereby deleted in their entirety, and replaced with the following:

(a) As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Parent, audited consolidated, and consolidating with respect to WDLLC, fiscal year-end statements of income and cash flows of the Parent for that year, and the related consolidated, and consolidating with respect to WDLLC, audited balance sheet as of the end of that year (setting forth in comparative form the corresponding figures for the preceding fiscal year), all in reasonable detail and accompanied by (1) an opinion as to those financial statements in form and substance reasonably satisfactory to Credit Agent and prepared by an independent certified public accounting firm reasonably acceptable to Credit Agent, and (2) if then available or otherwise within fifteen (15) days of receipt by the Parent, any management letters, management reports or other supplementary comments or reports delivered by those accountants to the Parent;

(b) As soon as available and in any event within sixty (60) days after the end of each Fiscal Quarter of the Parent, including its last Fiscal Quarter, consolidated, and consolidating with respect to WDLLC, interim statements of income for that fiscal quarter and the period from the beginning of the fiscal year to end of that fiscal quarter, and the related consolidated and consolidating balance sheet (including contingent liabilities) as at the end of that fiscal quarter, all in reasonable detail, subject, however, to year-end audit adjustments;

(c) As soon as available and in any event within sixty (60) days after the end of each Fiscal Quarter, a consolidated report ("Servicing Portfolio Report") as of the end of the Fiscal Quarter, as to all Mortgage Loans the servicing rights to which are owned by the Parent or its Affiliates, and separately for WDLLC (in each case, specified by investor type, recourse and non-recourse). The Servicing Portfolio Report must be in similar summary form as previously presented to Credit Agent (or as Credit Agent otherwise may agree), and must, at a minimum, indicate which Mortgage Loans (1) are current and in good standing, (2) are more than 30, 60 or 90 days past due, (3) are the subject of pending bankruptcy or foreclosure proceedings, or (4) have been converted (through foreclosure or other proceedings in lieu of foreclosure) into real estate owned by a member of the Parent's consolidated group, and include, by Mortgage Loan type (x) weighted average coupon, (y) weighted average maturity, and (z) weighted average servicing fee."

(d) Section 6.02 is hereby amended as follows:

(i) In Sections 6.02(a), (c), and (d) references to WDLLC shall be replaced by references to the Parent.

(ii) In Sections 6.02(b), (e), (f), and (g), in addition to references to WDLLC there shall be added references to the Parent, as the context may require.

(e) Section 6.03(d) is hereby amended by replacing "WDLCC" with "the Parent."

(f) Section 7.14, except for the last grammatical paragraph thereof, is hereby deleted in its entirety and replaced with the following:

(a) Permit the Parent's Tangible Net Worth at any time to be less than $100,000,000.00, to be tested on the last day of each Fiscal Quarter, or (b) permit the Parent or any applicable Subsidiary to otherwise not be in compliance with applicable net worth requirements of HUD or any Investor, including Fannie Mae and Freddie Mac.

(b) Permit the Parent's Liquid Assets, determined on a consolidated basis, at any time to be less than $10,000,000.00, or permit the Parent or any applicable Subsidiary otherwise not to be in compliance with applicable requirements of HUD or any Investor, including Fannie Mae and Freddie Mac.

(c) Permit EBITDA at any time to be less than $12,000,000, to be tested on the last day of each Fiscal Quarter.

(d) Permit the ratio of (i) EBITDA, to (ii) the sum of (a) interest payments made or required to be made by the Borrower on account of the Obligations (less cash received by the Borrower under the Rate Cap Agreement), plus (b) an amount equal to the aggregate principal amount of the Term Loan required to be paid by the Borrower hereunder (whether or not so paid) during the applicable year in accordance with Section 2.03(b) to be less than 3.0 to 1.0, determined for the applicable Measurement Period.

(e) Permit the aggregate unpaid principal amount of (i) all Mortgage Loans comprising the Parent's consolidated Servicing Portfolio to be less than $11.0 billion at any time or (ii) all Fannie Mae DUS Mortgage Loans comprising the Servicing Portfolio of WDLLC to be less than $7.5 billion at any time, calculated as of the last day of each Fiscal Quarter.

(f) Permit the LTSV Ratio at any time to be greater than 40%, to be tested on the last day of each Fiscal Quarter.

(g) Permit the aggregate unpaid principal amount of Fannie Mae DUS Mortgage Loans within the Parent's consolidated Servicing Portfolio which are sixty (60) or more days past due or otherwise in default to at any time exceed two percent (2%) of the aggregate unpaid principal balance of all Fannie Mae DUS Mortgage Loans within the Parent's consolidated Servicing Portfolio at such time."

(g) Exhibit B (Form of Compliance Certificate) to the Credit Agreement is hereby deleted in its entirety and replaced with the form of Exhibit B annexed to this Amendment.

7. Obligor Group Acknowledgments. Each member of the Obligor Group acknowledges, confirms and agrees that:

(a) This Amendment is a Loan Document, and all references in any Loan Document to the Obligations shall mean and include the Obligations as amended by this Amendment.

(b) Except as provided herein, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect, and each hereby (x) ratifies, confirms and reaffirms all and singular of the terms and conditions of the Credit Agreement and the other Loan Documents applicable to such Person, and (y) represents and warrants that:

(i) After giving effect to this Amendment, no Default or Event of Default exists as of the date such Person executes this Amendment, nor will a Default or Event of Default exist as of the Effective Date.

(ii) The representations and warranties made by, or with respect to, each such Person in the Credit Agreement and the other Loan Documents are true and correct as of the date hereof as if remade herein, and will be true and correct as of the Effective Date, except as to (1) matters which speak to a specific date, and (2) changes in the ordinary course to the extent permitted and contemplated by the Credit Agreement.

(iii) Each such Person has the power and authority and legal right to execute, deliver and perform this Amendment, has taken any necessary action to authorize the execution, delivery, and performance of this Amendment, and the individual executing and delivering this Amendment on behalf of such Person is duly authorized to do so.

(iv) This Amendment has been duly executed and delivered on behalf of such Person and constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to the effect of applicable bankruptcy and other similar laws affecting the rights of creditors generally and the effect of equitable principles whether applied in an action at law or a suit in equity.

(c) Upon receipt of an invoice or statement therefor, the reasonable attorneys' fees and expenses and disbursements incurred by the Administrative Agent and the Lenders in connection with this Amendment shall be paid.

(d) Such Person has no defenses, set offs or counterclaims with respect to any of its obligations to the Administrative Agent, the Collateral Agent, or the Lenders, and hereby releases, waives, and forever relinquishes all claims, demands, obligations, liabilities, and causes of action whatever kind or nature, whether known or unknown, which it has or may have as of the date hereof and as of the Effective Date against the Administrative Agent, the Collateral Agent, and/or any of the Lenders, or their respective affiliates, officers, directors, employees, agents, attorneys, independent contractors, and predecessors, together with their successors and assigns, directly or indirectly arising out of or based upon any matter connected with the Credit Agreement or the administration thereof or the obligations created thereby (including pursuant to this Amendment).

8. Conditions Precedent. This Amendment shall be effective upon the satisfaction by the Obligor Group of, or written waiver by the Administrative Agent and the Lenders of, the following conditions and any other conditions set forth in this Amendment, by no later than 4:00 p.m. (Boston time) on the date of this Amendment, as such time and date may be extended in writing by the Administrative Agent and the Lenders, in their sole discretion (with the date, if at all, by which such conditions have been satisfied or waived being referred to herein as, the "Effective Date"), failing which this Amendment and all related documents shall be null and void at the option of the Administrative Agent and the Lenders:

(a) Delivery to the Administrative Agent and each Lender of the following:

(i) This Amendment, duly executed by each member of the Obligor Group, and by the Administrative Agent and each Lender, and

(ii) Such other documents as the Administrative Agent, Collateral Agent, or any Lender reasonably may require, duly executed and delivered.

(b) The Borrower shall have paid to the Administrative Agent, for the ratable account of the Lenders based on their respective Commitments, a non-refundable, fully earned fee in the amount of $130,500.00.

(c) No Default or Event of Default shall have occurred and be continuing.

(d) In addition to all other expense payment and reimbursement obligations of the Obligor Group under the Credit Agreement and other Loan Documents, the Borrower will, promptly following its receipt of an appropriate invoice therefor, pay or reimburse the Administrative Agent and the Lenders for all of their respective reasonable out of pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses and disbursements) incurred in connection with the preparation of this Amendment and any other documents in connection herewith and the matters addressed in and contemplated by, this Amendment

9. <u>Miscellaneous</u>.

(a) This Amendment shall be governed in accordance with the internal laws of the Commonwealth of Massachusetts (without regard to conflict of laws principles) as an instrument under seal.

(b) This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Signatures transmitted electronically (including by fax or e-mail) shall have the same legal effect as originals, but each party nevertheless shall deliver original signed counterparts of this Amendment to each other party upon request.

(c) This Amendment constitutes the complete agreement among the Obligor Group and the Credit Parties with respect to the subject matter of this Amendment and supersedes all prior agreements and understanding relating to the subject matter of this Amendment, and may not be modified, altered, or amended except in accordance with the Credit Agreement.

(d) Time is of the essence with respect to all aspects of this Amendment.

[Remainder of page intentionally left blank]

Executed as a sealed instrument as of the date first above written.

GPF ACQUISITION, LLC

By: Walker & Dunlop GP, LLC, its Managing Member

By: /s/ William M. Walker
Name: William M. Walker
Title: Managing Member

WALKER & DUNLOP MULTIFAMILY, INC.

By: /s/ William M. Walker
Name: William M. Walker
Title: President and CEO

WALKER & DUNLOP GP, LLC

By: /s/ William M. Walker
Name: William M. Walker
Title: Managing Member

GREEN PARK FINANCIAL LIMITED PARTNERSHIP

By: Walker & Dunlop GP, LLC, its Managing General Partner

By: /s/ William M. Walker
Name: William M. Walker
Title: Managing Member

W & D, INC.

By: /s/ William M. Walker
Name: William M. Walker
Title: President and CEO

WALKER & DUNLOP, LLC

By: /s/ William M. Walker
Name: William M. Walker
Title: President and CEO

WALKER & DUNLOP, INC.

By: /s/ William M. Walker
Name: William M. Walker
Title: President and CEO

BANK OF AMERICA, N.A., as Administrative Agent, Collateral Agent, and a Lender

By: /s/ Jane E. Huntington
Name: Jane E. Huntington
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, successor to NATIONAL CITY BANK, as a Lender

By: /s/ Terri A. Wyda
Name: Terri A. Wyda
Title: Senior Vice President

Exhibit 31.1

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, William M. Walker, certify that:

1. I have reviewed this report on Form 10-Q of Walker & Dunlop, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Paragraph omitted as this quarterly report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

By: /s/ William M. Walker
William M. Walker
Chairman, President and Chief Executive Officer

Exhibit 31.2

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Deborah A. Wilson, certify that:

1. I have reviewed this report on Form 10-Q of Walker & Dunlop, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Paragraph omitted as this quarterly report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

By: /s/ Deborah A. Wilson
Deborah A. Wilson
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Walker & Dunlop, Inc. for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of Walker & Dunlop, Inc., hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Walker & Dunlop, Inc.

Date: May 13, 2011

By: /s/ William M. Walker
William M. Walker
Chairman, President and Chief Executive Officer

By: /s/ Deborah A. Wilson
Deborah A. Wilson
Executive Vice President, Chief Financial Officer and Treasurer