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# EDITED TRANSCRIPT

WD - Q1 2014 Walker & Dunlop Inc Earnings Conference Call

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## CORPORATE PARTICIPANTS

**Claire Harvey** *Walker & Dunlop, Inc. - VP, Investor Relations*

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

**Steve Theobald** *Walker & Dunlop, Inc. - EVP, CFO, Treasurer*

## CONFERENCE CALL PARTICIPANTS

**Chas Dyson** *Keefe, Bruyette & Woods - Analyst*

**Jason Stewart** *Compass Point - Analyst*

## PRESENTATION

### Operator

Welcome to Walker & Dunlop's First Quarter 2014 Earnings Conference Call and Webcast. Hosting the call today from Walker & Dunlop is Willy Walker, Chairman and CEO. He is joined by Steve Theobald, Chief Financial Officer, and Claire Harvey, Vice President of Investor Relations.

Today's call is being recorded and will be available for replay beginning at 10:00 AM Eastern Standard Time. The dial-in number for the replay is 1-800-688-4915. At this time, all participants have been placed in a listen-only mode and the floor will be open for your questions following the presentation. (Operator Instructions)

It is now my pleasure to turn the floor over to Claire Harvey.

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### Claire Harvey - *Walker & Dunlop, Inc. - VP, Investor Relations*

Thank you, Leo. Good morning, everyone, and thank you for joining the Walker & Dunlop first quarter 2014 earnings call. I have with me this morning our Chairman and CEO, Willy Walker, and our CFO, Steve Theobald. This call is being webcast live on our website and a recording will be available later this morning. Both our earnings press release and website provide details on accessing the archived call.

This morning, we posted our earnings release and presentation to the Investor Relations section of our website, [www.WalkerDunlop.com](http://www.WalkerDunlop.com). These slides serve as a reference point for some of what Willy and Steve will touch on this morning.

Please also note that we may reference certain non-GAAP financial metrics such as adjusted net income, adjusted diluted earnings per share, adjusted operating margin, adjusted EBITDA, and adjusted total expenses during the course of this call. Please refer to the earnings release and the presentation posted on our website for reconciliation of the GAAP and non-GAAP financial metrics and related explanation.

Investors are urged to carefully read the forward-looking statements language in our earnings release. Statements made on this call, which are not historical facts, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding future financial operating results, involve risks, uncertainties, and contingencies, many of which are beyond the control of Walker & Dunlop and which may cause actual results to differ materially from anticipated results.

Walker & Dunlop is under no obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise. We expressly disclaim any obligation to do so. More detailed information about risk factors can be found in our reports on file with SEC.

With that, I will now turn the call over to Willy.



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

Thank you, Claire. Good morning to everyone joining us on this call. I'd like to start by looking back over the past three years to highlight the strategic steps and financial growth we have experienced over this period of time. It reflects a coherent strategy that has transformed Walker & Dunlop into a far more diversified, scaled, and financially sound Company. I will then discuss our Q1 performance, turn the call over to Steve to discuss our finances, and finish discussing the rest of 2014 and what we see ahead.

We went public at the end of 2010 as predominantly a Fannie Mae and Freddie Mac multifamily lender. The GSEs were in conservatorship with a huge market share and W&D was growing along with them. But we knew that diversification and growth of our platform was paramount to our long-term success.

If you turn to slide five, it shows that five quarters later in Q1 2012 Fannie Mae and Freddie Mac represented only 52% of loan originations. Brokered originations increased to 30%, HUD had grown to 17%, and we made our first balance sheet loan. We had executed very well on our strategic plan to diversify our loan originations but we were still a small Company trying to gain market share in a rapidly expanding marketplace.

We made the decision in 2012 to acquire CW Capital based on several long-term strategic beliefs. First, we knew that scale matters in the lending business and becoming a top five lender with Fannie Mae, Freddie Mac, and HUD was an important strategic objective. Second, we knew that the GSE multifamily businesses were sound and would be around for many years to come given the implementation timeline for any GSE reform. Finally, we saw the long-term value in GSE mortgage servicing rights.

We acquired CW Capital and immediately gained the scale and growth in mortgage servicing rights we had desired. Yet in the process we took GSE loan origination volumes back to 74% of total origination in Q1 2013 as W&D took over as the largest Fannie Mae DUS lender and third largest Freddie Mac seller servicer.

We exited Q1 2013 with two clear objectives. Get back the diversification to our business that we had achieved in 2012 and cut costs if GSE origination volumes did not materialize due to the changing regulatory landscape. Our Q1 2014 performance reflects the diversification efforts and cost-cutting measures we implemented in 2013. GSE originations dropped back to 52%, HUD originations increased to 16%, brokered originations moved up to 26%, and our balance sheet lending accounted for 5.1% of total originations.

Any business line that can grow from 0% of originations one quarter to 5.1% a year later on a scaled platform as large as Walker & Dunlop's is a huge accomplishment. Our interim lending program is doing exactly what we had hoped it would do, allow us to earn solid returns on invested capital and capture deal flow for our HUD and GSE permanent loan programs. To date we have originated \$374 million of interim loans for our balance sheet and large loan bridge program of which \$77 million have paid off and we have refinanced \$71 million of that with permanent loans provided by Walker & Dunlop. That 92% recapture rate was exactly what we had hoped for when we designed this lending program.

The growth in our non-GSE lending operations coupled with growth in our servicing income and aided significantly by the cost-cutting we implemented in Q4 of 2014 allowed us to produced net income of \$7.1 million or \$0.21 per share in Q4 2014 (sic - see press release and slide deck "Q1 2014") versus \$0.23 per share in Q1 2013. To transform our Company this dramatically and post very similar financial returns in a quarter with a completely different mix of originations from a year ago is a great accomplishment that our employees and investors should be very proud of.

During the first quarter we officially launched our CMBS conduit in partnership with Fortress Investment Group. We are seeing many borrowers across the country access CMBS debt both directly and through brokers and we are very excited to be up and running with our own conduit that borrowers can access through either channel.

The growth in our on balance sheet lending is a fantastic accomplishment and has been done in the midst of an exceedingly competitive lending landscape, particularly from banks. As investors may recall, we are funding loans under \$25 million with capital from our balance sheet and warehouse lines while we're funding loans larger than \$25 million through our large loan bridge program with two institutional investors.

As slide six demonstrates, our on balance sheet loans grew to \$187.2 million at the end of Q1 2014 from \$9 million at the end of Q1 2013 and up from \$135 million at the end of 2013. This portfolio is filled with very high quality loans producing annualized levered returns to Walker & Dunlop of 15.8%. These returns may vary significantly as the market moves around.

We have succeed in this business line due to our ability structure complex transactions, close loans quickly, and sell the value of the long-term fixed rate financing options that Walker & Dunlop offers in great scale and with great skill every day.

Our brokerage originations showed strong growth in the quarter, increasing 36% from Q1 2013 to \$416 million. We continue to add origination talent to our capital markets group with a new team and office in Tampa quarter during Q1. The majority of the growth in our brokerage originations was driven by the new production talent we've added over the past two years. In addition, those new producers are selling across our platform and delivering new deal flow to all product channels.

As our balance sheet, CMBS, and agency lending businesses continue to grow, W&D's capital market group will have an expanding supply of proprietary capital along with third-party capital to offer their clients.

Walker & Dunlop's origination volume with the GSEs was off 35% in the first quarter which although significant was not as great as the 50% plus year on year decrease in both Fannie Mae and Freddie Mac's total Q1 multifamily origination volumes. FHA director Mel Watt will speak on May 13 at the Brookings Institution and it is our expectation that the 2014 GSE scorecard will be released in conjunction with that speech and call for leaving in place the 2013 multifamily lending caps of \$30 billion and \$26 billion and potentially allow the GSE to exceed those limits by doing more loans on affordable properties as well as manufactured and seniors housing.

With regards to HUD, the 2014 Federal budget has \$30 billion for multifamily and healthcare lending at FHA. Given the competitive landscape we see today, Fannie, Freddie, and HUD will all be challenged to fully deploy the vast sums of capital they are currently allocated.

Let me now talk briefly about FHFA and GSE reform before turning the call over to Steve to discuss our financial results in further detail. From meetings with FHFA staff and industry participants, we believe FHFA will likely take a conserve and preserve approach to its role as conservator of Fannie and Freddie under director Mel Watt rather than the conserve and contract role which was the strategy implemented by former acting director DeMarco. That would be a positive development for the GSEs.

With regards to the current draft of Johnson-Crapo the legislation appears to be positive for the GSE multifamily businesses, calling for them to be spun out with the new FDIC guarantee wrapping both the DUS and K-series bonds. There's a 30 to 60 day period right now for Johnson-Crapo to gain momentum and move from the Senate banking committee to a full Senate vote. If this window is missed, the future of GSE reform legislation is increasingly uncertain.

From Walker & Dunlop's perspective, for the next few years we will either have the current GSE programs under new FHFA scorecards or the implementation of legislation that looks in draft form to be positive for the GSE multifamily businesses. In either case we will continue to be one of the largest commercial real estate lenders going forward, focused on growing lending volumes with all of our capital partners, including with our balance sheet.

I'll now turn the call over to Steve and then come back to discuss what we see coming ahead for the rest of the year. Steve?

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**Steve Theobald** - Walker & Dunlop, Inc. - EVP, CFO, Treasurer

Thank you, Willy. Good morning, everyone. We posted very solid results in the first quarter demonstrating the value of our increasingly diverse business model. I will focus my remarks this morning on how the breadth of our platform contributed to our results, including the significant quarter over quarter increase in adjusted EBITDA.



Net income for the first quarter was \$7.1 million, \$0.21 per diluted share compared to \$7.7 million or \$0.23 per diluted share for the first quarter of 2013. Adjusted net income which excludes certain non-operating items was \$7.5 million or \$0.22 per diluted share compared to \$8.5 million or \$0.25 per diluted share for the same period in 2013.

Adjusted EBITDA was \$19.8 million, a 44% increase from the \$13.8 million we reported for the first quarter of 2013. Total originations were \$1.6 billion in the first quarter, down 9% from first quarter last year. The first quarter is typically our slowest quarter from a volume perspective and after a very slow January we saw our volumes accelerate through the remainder of the quarter with over half of the quarter's originations booked in March. The mix of loans originated was in line with our expectations and consistent with that of the last few quarters.

As Willy mentioned, our originations with Fannie Mae and Freddie Mac were down 35% over the prior year as first quarter 2013 originations were largely done before the FHFA mandated 10% reduction had taken hold. To provide further context, Fannie took delivery of \$8.2 billion in loans in the first quarter of 2013 compared to only \$3.5 billion in the same period this year, a decline of 57%. The expected declines in GSE volumes were offset by growth in all of our other executions with HUD up 75%, brokered originations up 36%, and our interim loan originations going from 0 in the prior year to \$81 million in the current quarter.

As you saw on slide five, the end result to the change in loan origination mix that is significant year over year. Going forward, we continue to expect a high percentage of our business to come from the capital markets and proprietary capital spaces because of our investments in those areas. However, we are seeing Fannie and Freddie be very competitive right now and would hope to see that remain consistent over the course of the year.

Total revenues for the quarter were \$64.8 million, a 6% decrease from first quarter 2013. Turning now to slide seven you can see the trends in both absolute dollar revenue earned as well as the mix of our revenue components. The trends reveal the effects of the growing servicing portfolio on our servicing -- on our revenue and servicing fees are now 36% of our revenue. A higher percentage than either origination fees at 32% or gains attributable to mortgage servicing rights at 21%. The decline in the percentage of revenues coming from gains attributable to MSR's, the direct reflection of the lower GSE volumes, particularly Fannie Mae originations.

Let me now go through the key revenue components in a little more detail. Turning to slide eight, our origination fee margins have been very steady over the last year and at 131 basis points were 2 basis points higher than in the first quarter of 2013. The MSR margins have been more volatile during that timeframe driven by our quarterly changes in mix. The MSR margin in the first quarter was 88 basis points compared to 119 basis points last year. The decline is a function of the higher percentage of our business coming from brokered and interim loan originations for which we do not record an MSR as well as the impact of a large \$200 million Fannie Mae deal done this quarter with modified risk sharing and thus a lower servicing rate than a typical Fannie transaction. On a deal by deal basis we are not seeing degradation in our servicing fees.

Turning now to slide nine in servicing, our servicing fees increased 10% to \$23.3 million and the weighted average servicing fee remains at 24 basis points. The servicing portfolio was \$38.9 billion at the end of March, flat from the end of the year and up 6% from the end of Q1 2013. During the quarter we saw an increase in early payoffs in the Fannie Mae portfolio for which we received prepayment penalties of \$1.5 million. In addition, with over half our volume originated in March, there was a larger than usual amount of loans rate locked but not closed at quarter end and as a result those loans have not yet moved into our servicing portfolio at March 31. We expect the servicing portfolio to resume its growth in the second quarter.

During the quarter we earned \$846,000 in net interest income from the \$185.6 million in interim loans we have on our balance sheet. The \$81.3 million of new originations during the quarter added little to our revenue as much of it was booked in the last half of the quarter. We will report a full quarter's worth of earnings on those originations in Q2. Our on balance sheet interim loans continue to perform well and we have a strong pipeline of new business.

Turning now to slide 10 and expenses, our adjusted total expenses for the quarter were \$52.4 million, down 6% over the same period last year. The decrease in adjusted expenses is largely a result of the year over year decrease in headcount resulting from the expense reduction efforts we undertook last October. The lower headcount translated into a \$2.7 million reduction in salary and bonus expense in the first quarter of 2014 when compared to the same period last year which along with lower commission expense drove total personnel expenses down \$3.7 million or 13%

lower than last year. In addition, our cost management efforts have resulted in a decline in other operating expenses of \$1.1 million also a 13% decline over the prior year. The two expense areas impacted by our cost reduction efforts, personnel and other operating expenses, declined to 50% of revenue in the first quarter compared to 54% of revenue in the first quarter of 2013.

Interest expense on corporate debt increased \$1.6 million from the prior year period to \$2.6 million and was 5% of total expenses for the quarter. This reflects the cost of a full quarter of interest expense on the \$175 million senior secured term loan raised in December 2013. The debt issuance had a slightly dilutive impact on first quarter earnings as we began to deploy the cash into longer-term initiatives late in the quarter. We utilized \$13 million of cash to fund the portion of the \$81 million of new interim loans not covered by our warehouse advances. We also used \$35.5 million in the repurchase of the 2.5 million shares of common stock held by Credit Suisse. Because of the timing of these investments during the quarter we won't see the benefits of these actions in our earnings or our earnings per share until the second quarter.

On a short-term basis, we are also using a portion of our cash to self-fund loans held for sale. At the end of the first quarter we had \$57.3 million of loans held for sale on our balance sheet that were self-funded. We ended the quarter with \$63.2 million in cash and going forward we expect to use the cash raised in the term loan transaction to support additional interim loan originations, to invest in our CMBS lending platform, and for other growth initiatives.

Amortization and depreciation expense, including intangible amortization was flat quarter over quarter. The increase in our normal amortization from growth in our MSR's was offset by less intangible amortization which is not included on slide ten because that's only adjusted expenses. And fewer write-offs from prepayments. During the first quarter we fully amortized the remaining \$0.5 million of pipeline intangible assets from the CW acquisition.

Turning now to slide 11, we continue to see favorable credit trends in our portfolio. At the end of March we had no loans in our at-risk portfolio over 60 days delinquent. Provision expense was a net credit of \$171,000. During the quarter we settled with Fannie Mae on three properties that had defaulted in 2010. We are now down to only seven loans that are being worked out by Fannie Mae.

Finally, let me address the reasons why we have seen such strong growth in our adjusted EBITDA over the last year. Slide 12 illustrates the trend in adjusted EBITDA. Substantially all of the revenue decline from the first quarter last year has come from lower gains attributable to mortgage servicing rights and non-cash revenue while all of our expenses have declined with the exception of amortization and depreciation which is also non-cash and interest expense on corporate debt which is not included in EBITDA. We do not expect adjusted EBITDA to grow in a linear fashion quarter to quarter but as our servicing fees continue to grow and our proprietary capital initiatives take hold we do expect that our adjusted EBITDA will continue to increase over time.

With that, let me turn it back to Willy.

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

Thank you, Steve. If we turn to slide 13 for a moment you can see that 2014 is a trough year for commercial mortgage refinancing at \$92 billion. Starting in 2015 the volume of refinancing increases 72% year on year and given Walker & Dunlop's scale and expanded product offering we plan to be a major provider of capital.

I would point out two important data points on slide 13. First, the significant growth in 2015, 2016, and 2017 is primarily due to the surge in CMBS lending from 2005 through 2007 and will present a large opportunity for our capital markets, CMBS, and interim lending businesses. That opportunity is depicted by the dark blue portion of the graph. It equally is important for Walker & Dunlop's continued growth and success is consistently growing multifamily refinancing volumes depicted in the grey portion of the graph over the next ten years. As you can see, only \$23 billion of multifamily loans reach maturity in 2014 increasing to \$40 billion in 2015 and to \$55 billion in 2016.

As the graph also shows, multifamily is projected to be 65% of the commercial loan maturities in 2019. Our investments to grow our capital markets, CMBS, and interim lending operations will pay dividends during the commercial refinancing wave from 2015 to 2017. And at the same time our



market presence as one of the largest multifamily lenders in the country will pay dividends over the next decade as multifamily refinancing opportunities become a larger part of the commercial real estate refinancing market.

We will continue to focus on using our balance sheet and interim lending program to capture deal flow. Our team has been highly effective at differentiating our program based on speed of execution and underwriting expertise. Although we compete daily with commercial banks with a lower cost of capital, our Q1 numbers reflect solid success in this lending area.

Our newly formed CMBS conduit is up and running with Fortress. We have a fantastic team originating and underwriting our CMBS loans. CMBS origination volumes will likely continue to expand in 2014 to potentially over \$100 billion and we will have the platform scale with a strong market presence just in time for the CMBS refinancing wave from 2015 through 2017.

As I mentioned previously we added a new capital markets team in Tampa, Florida in Q1. We will continue to add origination talent in our 20 offices. Our strategy continues to be expanding our capital markets business across the country with mortgage bankers who have fantastic relationships with third-party capital providers but who also have the skills and desire to execute business where Walker & Dunlop is booking mortgage servicing rights and lending with our own capital.

If I turn to the overall credit markets for a moment, there is lots of capital chasing commercial real estate today. Walker & Dunlop has a rigorous underwriting culture and that culture has produced an at-risk loan servicing portfolio of \$15.1 billion consisting of over 1,800 assets with not a single loan being 60 plus days delinquent at the end of Q1. That statistic says a lot about our team and underwriting standards but it also says a lot about where we are in the credit cycle, potentially at the peak. When capital is abundant and credit performance is outstanding is exactly when loan underwriting standards usually start to diminish. That has not and will not happen at Walker & Dunlop. We don't chase after deals just to deploy capital. We make our loan decisions focused on the next 10 to 15 years, not 10 to 15 months.

Our servicing portfolio showed its value in Q1 reflected in the fantastic growth in adjusted EBITDA from \$13.8 million in Q1 2013 to \$19.8 million in Q1 2014. We will continue focusing on adding new mortgage servicing rights going forward. Our strategy is to grow our loan origination volumes to earn the one time origination fees just like our brokerage peers. But also to drive long-term revenues through mortgage servicing rights, interest income, and asset management fees. Those twin pillars of value -- origination fees and long-term annuities generate current and future returns which provide financial stability to our Company.

As we all know, real estate is a cyclical business. We watched the brokerage business collapse in 2008 as capital fled the market and transaction volumes plummeted. We will continue to expand our platform and add origination talent to grow our top line but we will do it while preserving the long-term business model that includes leveraging our underwriting and risk management expertise. The diversification we demonstrated in our Q1 numbers shows that we are growing well beyond our legacy GSE business. And the fantastic growth we saw in adjusted EBITDA demonstrates the value of our servicing portfolio and focus on generating mortgage servicing rights. We believe over the long-term this strategy will provide our shareholders with outsized returns.

With that, I would again like to thank you for joining us today and I would open the line for any questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Bose George, KBW.

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**Chas Dyson** - Keefe, Bruyette & Woods - Analyst

This is actually [Chas Dyson] in for Bose. Just a couple quick ones from me. You talked about GSE reform a little bit, two different scenarios, whether the Johnson-Crapo bill goes through or there's no progress there and Mel Watt kind of runs the show a little bit. Do you guys have a sense of which outcome might be better for you?

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

Chas, given that Johnson-Crapo is still in draft form, it's very difficult to tell clearly what's going to happen there. The spinout scenario for the agencies in the draft legislation and from conversations with senators on the drafting committee looks quite positive. But at the same time I would say that if Director Watt comes out next week with the scorecard the industry expects for all practical purposes it's business as usual and business as usual with the agencies getting increasingly competitive as Steve mentioned in his comments is a very good scenario for us. It's very difficult to if you will pick one or the other. I would say under either scenario it's probably significantly better than 2013.

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**Chas Dyson** - Keefe, Bruyette & Woods - Analyst

You guys talked about the volume trends you'd seen going through the quarter with half the originations coming in March, what are you guys seeing post-quarter? Has there been a pickup from March or the same even keel? Or how is that looking?

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

It's impossible, quite honestly, to predict, Chas. I would say that the market is -- has a pace to it right now as far as originations and activity that was clearly not there in January and the beginning of February and as it relates to Fannie and Freddie they're very competitive right now in the marketplace. Banks I would put forth were the big surprise in 2013 and from conversations with several of our bank peers I'd be surprised if banks were as aggressive in 2014 as they were in 2013. I spoke to one of our bank peers two weeks ago who said that their year on year balance sheet lending on commercial real estate will be down about 40% year on year after having had a record 2013. But as I said in my comments, Fannie, Freddie, and HUD will all be challenged we believe in 2014 to deploy the capital that HUD already has allocated and what we're expecting to see Fannie and Freddie get allocated. It's a very competitive landscape.

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**Chas Dyson** - Keefe, Bruyette & Woods - Analyst

Then just one last one on the conduit platform. I think you guys had talked about using kind of \$1 billion of CMBS volume when we thought about that. Is that still the case when we think about 2014?

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

Given where the market is right now, Chas, as it relates to volumes on CMBS, there's no reason to think that that is an unrealistic expectations and at the same time we've gotten out of the blocks slower than we thought we would as far as just getting the conduit up and going. And we're in the process of originating our first deals to then be securitized. I would put forth to you it's far too early for us to say either \$1 billion is a good number or bad number based on a very healthy and robust market that we're up and going but we are starting slower than we thought we would.

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**Operator**

Jason Stewart, Compass Point.

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**Jason Stewart** - *Compass Point - Analyst*

Willy, I'm curious to hear your comments on the push at the FHFA GSEs for longer-term affordability targets and how that might impact either the competitive environment that you're seeing from banks, the GSE's position seems pretty clear that that's a -- whatever the outcome of legislation, that's a clear push from the FHFA.

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

You're correct, Jason. We'll see how they decided to if you will push for affordable when the scorecard comes out. I would put forth we talked a couple quarters ago about FHFA trying to push the agencies out of the high-end. It appears that FHFA has changed their strategy there of not restricting the agencies out of the high end but if you will incenting them to do more on the affordable end but without seeing the scorecard and what they actually put in place it's impossible to know how that's going to play out.

I would say as it relates to Fannie and Freddie in the affordable space, Fannie Mae has not had difficulty in reaching their affordable targets given the type of deals that they have access to and the way the DUS lenders originate loans for them. Freddie Mac has been more challenged in getting to their affordable targets. So, given we are number one with Fannie Mae and number three with Freddie Mac, we've got great scale with both of them and I believe that last year we came in as the third largest affordable lender for Fannie Mae. We have access to affordable deal flow and we'll obviously go after originating loans that fit their box and allow us to be successful.

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**Jason Stewart** - *Compass Point - Analyst*

Let me ask you just a different way. It would seem to me that the GSEs are at a price advantage on the affordable loans versus the banks. Is that true?

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

I don't think that that's a -- I think that's too broad a generalization, Jason, in the sense that a property that has a bank focused on it and a borrower who believes that interest rates are moving anywhere any time soon is going to be very hard to beat on a short-term floating rate loan. If the borrower is going long-term fixed rate and it is an affordable property, clearly HUD will compete very well on that type of a property and Fannie or Freddie on a seven or ten year fixed rate loan will also compete very well against a bank, CMBS, or life insurance Company. And life companies aren't really competing very much on those types of companies. I think it's -- I can't say to you that Fannie and Freddie can compete head to head with a bank on a short-term floating rate loan today on an affordable property.

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**Jason Stewart** - *Compass Point - Analyst*

So, it's more about the structure of the loan than it is the affordability of the property?

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

Correct.

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**Operator**

(Operator Instructions) It appears that we have no further questions at this time. I'd be happy to turn the floor back over to Mr. Willy Walker for any additional or closing comments.

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

I'd thank everyone for joining us this morning and wish you all a great day. Thanks very much.

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**Operator**

Thank you. This does conclude today's conference call and webcast. Please disconnect your lines at this time and have a wonderful day.

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