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Walker & Dunlop, Inc. *(WD)*

Acquisition of CWCapital LLC by Walker & Dunlop, Inc Call

CORPORATE PARTICIPANTS

Claire Harvey
Vice President-Investor Relations, Walker & Dunlop, Inc.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

OTHER PARTICIPANTS

William C. Marks
Analyst, JMP Securities LLC

Brandon B. Dobell
Analyst, William Blair & Co. LLC

Jim J. Fowler
Managing Director, Harvest Capital Strategies LLC

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC

Jason Gordon Stankowski
Founder, Partner & Portfolio Manager, Clayton Partners LLC

Ryan Zacharia
Analyst, JAM Equity Partners LLC

Tim Connor
Analyst, William Blair & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Please standby. Your program is about to begin. Welcome to Walker & Dunlop's company update conference call and the webcast. Hosting the call today from Walker & Dunlop is Willy Walker, Chief Executive Officer. He is joined by Debbie Wilson, Chief Financial Officer, and Claire Harvey, Director of Investor Relations.

Today's call is being recorded and will be available for replay beginning at 6 p.m. Eastern Standard Time. The dial-in number is 800-723-0479. 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]

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

Claire Harvey
Vice President-Investor Relations, Walker & Dunlop, Inc.

Thanks, Josh. Good afternoon, everyone and thank you for joining this call to go over some of the details related to Walker & Dunlop's recent acquisition of CWCapital. Joining me this afternoon are Willy Walker, our Chairman, President and Chief Executive Officer, and Debbie Wilson, our Executive Vice President and Chief Financial Officer.

This call is being webcast live on our website and a recording will be available this evening, both our press release announcing this call and our website provide details on accessing the archived call. Prior to this call, we posted a presentation on the Investor Relations section of our website, www.walkerdunlop.com. That provides additional detail on certain topics that will be referred to during our prepared remarks. Investors are urged to carefully read the forward-looking statements language in our presentation.

Statements made on this call which are not historical facts may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, including statements regarding future financial operating results, involve risks, uncertainties, and contingencies, many of which are beyond the control of Walker & Dunlop, and which may cause actual results to differ materially from the 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 on our reports on file with SEC.

Willy?

William M. Walker

Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Thank you, Claire, and thank you everyone for joining us this afternoon. We announced Walker & Dunlop's acquisition of CWCapital on June 8, 2012, and closed the deal on September 4, after clearing all regulatory hurdles obtaining GSE and governmental approvals and receiving broad and almost unanimous support from Walker & Dunlop shareholders. I cannot be more appreciative or impressed with the work our team did in putting this deal together and closing it in such a short period of time.

We opened for business as one company on September 5 without a hitch. Our technology platform, business processes, and organizational structure all worked exceptionally well. We funded our first legacy CW loan using Walker & Dunlop's warehouse lines on September 6 and rate-locked our first legacy CW loan using the combined platform on September 7. Integration efforts will continue over the coming months, but this has been an excellent start to bringing these two great firms together.

The objective of this call is to discuss the combined enterprise and provide investors with further details on the strategic and financial power of this combination. I'll run through a number of topics, including costs and benefits of integration and Debbie will drill down on certain technical accounting and financial items related to these topics.

The scale of this combination is very exciting from a loan origination and revenue growth standpoint. Our direct origination salesforce has grown from 39 originators at the end of Q2 to 69 inside the combined enterprise today. This dramatic growth in origination talent will have a significant impact on our origination volumes and revenues going forward, as the origination guidance I'm about to outline demonstrates.

As summarized on slide four, during the first six months of 2012, Walker & Dunlop originated $2 billion of commercial real estate loans, a record volume. During the second half of 2012, we expect to originate $3.9 billion to $5.4 billion of loans, bringing our annual origination guidance to between $5.9 billion and $7.4 billion. This full-year guidance includes only four months as a consolidated enterprise, during which time we expect the CW originations to contribute $1.4 billion to $2.2 billion. We are updating our Q3 guidance of $1.1 billion to $1.4 billion to $1.7 billion to $2.3 billion, due to adding $600 million to $900 million of CW originations for the month of September. For the fourth quarter, we are providing origination guidance of $2.2 billion to $3.1 billion for the consolidated enterprise.

Based on our 2012 origination guidance, Walker & Dunlop's originations should grow between 47% and 84% year-over-year between 2011 and 2012. Over the last five years, if we complete 2012 inside our established guidance, loan originations will have grown at a compound annual growth rate of 31% to 39%. Walker & Dunlop should end 2012 as one of the top 10 commercial real estate lenders in the United States and a top five lender with Fannie Mae, Freddie Mac, and HUD, FHA, our number one strategic objective at the beginning of this year. It is important to note that in connection with the acquisition, we will be recording an intangible asset related to the pipeline of loan originations at CW.

Walker & Dunlop paid $231 million for CWCapital, comprised of $80 million in cash and $151 million in Walker & Dunlop stock. About half of the purchase price can be allocated to CW's mortgage servicing rights and the other half for CW's origination, underwriting, and asset management platform. Inside the origination platform is CW's loan pipeline that includes all loans under application, but not yet rate-locked. We have assigned a value to each loan within that pipeline and as these loans rate-lock over the next few months, we will recognize the associated revenues, but also realize an amortization expense to write down the intangible pipeline asset. As a result, although origination volumes will grow dramatically, there will not be the typical pick-up in net income per additional dollar of revenue until the intangible pipeline asset is fully amortized.

Let me now turn to the costs and benefits associated with this transaction. The Walker & Dunlop and CWCapital combined loan servicing portfolios were in excess of $35 billion at June 30, 2012. As slide six shows, at June 30, loans originated for Fannie Mae made up 50% of the combined servicing portfolios, as reflected in the dark blue section of the bar graph, with the balance in Freddie Mac, HUD, life insurance and CMBS. The average servicing fee was 20 basis points and the weighted average remaining life of the portfolio has been extended from 8.8 years to 9.9 years, due to the size of CW's HUD servicing portfolio.

Walker & Dunlop maintains a small in-house staff to interface with clients on their servicing needs and outsources the back office function of servicing, such as billing and cash management. It is our intention over the next several months to replicate Walker & Dunlop servicing model for the CW servicing portfolio, lowering the cost to service CW loans by close to 50%. We anticipate having the CW portfolio outsourced in the November-December timeframe and we'll reduce our combined servicing staff by 25 people at the end of the year. These 25 employees have already been informed of this decision and we will work hard over the coming months to help these employees transition out of Walker & Dunlop and into new jobs.

We will realize severance expense of approximately $3 million in conjunction with our reduction in staff ratably over the last four months of this year. Prior to closing, we asked CW to sell $3.2 billion of CMBS servicing for a variety of strategic reasons. The sale generated approximately $3.3 million in cash, removing the CMBS portfolio from the June 30 data increases the average servicing fee of the combined servicing portfolio to 22 basis points.

In terms of G&A savings, there was a corporate allocation from CW Financial Services to CWCapital of $12 million a year for a variety of general and administrative costs including finance, legal, HR, marketing, accounting and information technology support. Over the next three months, Walker & Dunlop will pay CW Financial Services $1 million per month for these support services to help with the transition. Once the transition services agreement comes to an end, Walker & Dunlop believes it can save $5 million to $7 million per year through economies of scale in these functions.

Our additional scale brings with it a significantly larger national footprint. Our salesforce now operates from 24 offices located in 14 states. Over the coming months, we will consolidate Walker & Dunlop and CW's offices in Atlanta, Dallas and Irvine, California to drop the total number of offices to 21. As we consolidate operations and exit leases, there will be some one-time charges related to this activity. In conjunction with integrating these two companies, we have signed a number of CW and Walker & Dunlop senior executives and loan originators to long term contracts with retention components consisting of cash and stock to maintain stability throughout the transition in the coming years. These additional compensation cost will run through Walker & Dunlop's financials beginning in September and over the coming quarters as various components of these retention plans vest. It should be noted that many of the contracts are for three to five years and the majority of retention payments require meeting performance targets to be paid. We are making decisions daily to rapidly and effectively integrate these two companies, some of these decisions will have a short term financial impact while others will have a longer term effect. We believe once the initial costs have been absorbed and we have fully integrated the two companies, we will continue to generate annual operating margins in the low 30%s.

I would like to finish my initial remarks by talking about the strategic value of this acquisition and our new largest shareholder. Strategically, this acquisition makes Walker & Dunlop a very significant provider of capital to commercial real estate along with the very largest commercial banks and life insurance companies in the country. This new scale broadens the reach of Walker & Dunlop's brand, allows for the development of new lending products and expands the breadth of solutions we can offer our clients.

With regard to our new shareholder through an affiliate, Fortress Investment Group now owns 11.6 million shares or approximately 34% of Walker & Dunlop and is our largest single shareholder. Fortress has the right to appoint two members to our board of directors and we will add a new independent director to bring the total number of directors to 11.

We are excited to have Fortress as such a large investor in our company, particularly given Fortress's deep understanding of the mortgage finance industry. As well, there may be opportunities for Walker & Dunlop to work with several Fortress portfolio companies that have commercial real estate to finance and assets and special servicing that will need to be refinanced over the coming years. I would like to now turn the call over to Debbie to discuss the financials of this deal in more detail.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

Thank you, Willy and good afternoon everyone. The CWCapital acquisition is a key component of our strategic plan to make Walker & Dunlop the premier commercial real estate finance company in the United States. We are laser focused on the integration of our operations and I am confident in our ability to effectively capture, manage, and report the operating and financial performance of the combined entity. Willy provided you with the strategic benefits of the acquisition. My remarks will focus on three areas: accounting for the CWCapital transaction and some of the changes you will see in our financial statements, our combined balance sheet and cash position, and how we plan to manage the business going forward.

The combination of CWCapital and Walker & Dunlop will reduce some new – will introduce some new line items to our financial statements. As Willy mentioned, we paid approximately $234 million for CWCapital, which was comprised of $80 million in cash and the value of the 11.6 million shares of Walker & Dunlop stock at closing. The purchase of CWCapital includes their operating assets, cash, loans held for sale, and mortgage servicing rights, and certain intangible assets including the value of the loan portfolio and the company's ability to generate loan originations in the future or goodwill.

I'd like to take a moment to walk through the estimated combined balance sheet following the closing of the transaction. Slides 9 and 10 of the presentation show the combined balance sheet and income statement as of and for the six months ended June 30, 2012 and include estimated purchase accounting adjustments using CWCapital's June 30 financial information. These estimates will change based on the final CWCapital balance sheet at closing.

As you can see, the balance sheets of Walker & Dunlop and CWCapital are primarily comprised of cash, short-term receivables and payables, forward rate-locks or derivative assets and liabilities, mortgage servicing rights or MSRs, loans held for sale, and the corresponding warehouse debt, and allowances for the Fannie Mae risk sharing obligation. Walker & Dunlop also had some term debt [ph] end of our (15:15) taxes. The adjustments column reflects the additional term debt, the cash we used to fund part of the purchase price, any estimated intangible assets and goodwill associated with the purchase.

I'd like to point out several things. At June 30, 2012, the combined servicing portfolio had a book value of $271 million and estimated market value of just under $300 million and is expected to generate more than $70 million of servicing income over the next 12 months. The CWCapital at risk portfolio has performed extremely well. At June 30, 2012, CWCapital had booked an allowance for risk sharing obligations of $28.6 million or approximately 70 basis points of the at risk portfolio. The allowance includes approximately $22 million of reserves for a segment of the Fannie Mae at risk book, known as the Citi portfolio, of which $16 million is pre-funded by restricted cash.

The Citi portfolio is servicing compromised of small loans with unpaid principal balances of less than $1 million and was acquired by CWCapital in October of 2011. If you strip out the Citi portfolio reserves, the remaining CWCapital allowance for the traditional Fannie Mae at risk portfolio, is comparable to Walker & Dunlop reserves based on the size and the risk of the portfolio.

We are working to finalize the valuation of our intangible assets. The largest components of which are goodwill and the CW loan origination pipeline. In valuing the pipeline, we are considering many things including the volume of loans under application, the types of loans, the average revenues, the percentage of loans that were rate-locked, and the average operating margin at various stages of the origination process.

I would like to walk through how the intangible assets will flow to our financial statements. As the loans in the pipeline rate-lock, we will record gains from mortgage banking activities and related commission expenses consistent with Walker & Dunlop's accounting practices.

In addition, we will book a corresponding loan level amortization expense of the pipeline intangible asset. As Willy mentioned in his remarks, this amortization expense will lower our operating margins until the intangible asset is fully written off.

At August 31, 2012, the CWCapital pipeline under application was approximately $2.6 billion and the associated intangible asset is expected to range from $12 million to $18 million as shown on slide nine. Based on our updated loan origination guidance, we expect to amortize 30% to 50% of the intangible asset in Q3 and 20% to 30% in Q4. By the end of the year, we expect approximately 20% to 30% of the pipeline intangible asset will remain and will be amortized throughout 2013. As indicated on slide nine, we expect to record goodwill in the range of $60 million to $70 million. The recorded goodwill will not be amortized, but will be tested for impairment on a regular basis.

Being a larger player provides Walker & Dunlop with additional economies of scale and bargaining power. We have increased our warehouse capacity by 70%, reduced the fees by an estimated 18 basis points to 20 basis points and shifted the CWCapital closings to Walker & Dunlop lines, further reducing the CWCapital borrowing costs by an additional 20 plus basis points.

Throughout the fourth quarter, as we combine the servicing platforms, we will also increase the CWCapital escrow earnings rates. And finally, as Willy mentioned, shifting the CWCapital servicing portfolio to the Walker & Dunlop platform and business model will – is expected to reduce the CWCapital servicing costs by approximately 40% to 50% beginning in 2013. We will incur transaction related expenses that will flow through our other operating expense line item. As you may remember, we recognized $1.6 million of these expenses in Q2. In Q3, we expect to record approximately $2.7 million of transaction related professional expenses. Also as Willy mentioned earlier, we will incur $3 million of severance expense and $3 million of transaction expense of which $1.75 million will be recognized in Q3 and $4.25 million in Q4.

The origination power of the combined platform coupled with efficiencies and economies of scale throughout the operations give me confidence we can generate annual operating margins in the low 30%s once these two firms are fully integrated. As Willy mentioned at the beginning of the call, Walker & Dunlop used $60 million of debt financing and $20 million to fund the cash portion of the purchase price. The debt carries a coupon rate of LIBOR plus 350 basis points and will add approximately $2.7 million in annual interest expense. This debt amortizes evenly over 10 years and has a five-year balloon future. We increased our outstanding borrowings to $83 million while increasing our annual debt service payments to $11.8 million. This leaves us with a very low debt-to-equity ratio of 0.3 times and significant cash flow flexibility to continue investing in the growth of our business.

In summary, I'm very excited about the CWCapital acquisition. We're up and running as one company and we believe the combined entity is more than simply adding together one plus one. We are seeing examples of the synergies every day, and I'm thrilled to be a part of this growing organization.

And with that, I'll turn back over to Willy.

William M. Walker

Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Thank you, Debbie. And thank you for your leadership during the acquisition and closing of the CWCapital transaction. Walker & Dunlop will turn 75 years old in early November. When the firm turned 70 in 2007, we embarked on the drive to 75, an aggressive growth plan to increase revenues, operating income, and net income, 5x in five years. When we release our Q3 financial performance, it will clearly show that Walker & Dunlop handily beat the drive to 75 goal of 5x in five years. And I would add these haven't exactly been the easiest five years in the commercial real estate finance business. But beyond simply scale and financial performance, we have transformed Walker & Dunlop from a small capital constrained private company into a scaled publicly held finance company that is now one of the largest commercial real estate lenders in the United States.

Beyond the fabulous returns to our shareholders and exciting growth opportunities for our employees, this transformation leaves Walker & Dunlop far more capable to take advantage of the ever-evolving regulatory and macroeconomic landscape within which we compete every day.

We have a great business with exceptional people and our growth over the past five years and particularly the last four months position us extremely well to take advantage of opportunities over the coming five years. Thank you for your time and attention this afternoon.

I will now open the line for any questions you may have.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator instructions] Thank you. And our first question will come from Will Marks with JMP Securities. Please go ahead. Your line is open.

William C. Marks Q
Analyst, JMP Securities LLC

Thank you. Hello, Willy and Debbie.

William M. Walker A
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Hello.

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

Hello.

William C. Marks Q
Analyst, JMP Securities LLC

I just first want to ask, Debbie, in terms of when you do report, is it going to be clearly highlighted what's the, as we can call them, one-time expenses are and are we going to see a recurring EPS is that's the right term?

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

No. We will be happy to disclose the expenses that are unique to the transaction in Q3 and we will provide color around that. We're happy to do it.

William C. Marks Q
Analyst, JMP Securities LLC

Okay. That will be very helpful. I just want to ask you an advance, okay. And then the question that you probably won't answer, but how should we – any thoughts on how we should be looking at 2013 for the combined company?

William M. Walker A
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Will, we're a week into this. We're thrilled with what – we're thrilled what we've just told you as it relates to our Q3 and Q4 guidance and full-year guidance. And as Debbie just said, it's our very clear view that this combination is greater than one plus one, but no we're not providing any 2013 guidance at this point.

William C. Marks Q
Analyst, JMP Securities LLC

How about any unbiased commentary from competitors in the field in terms of, this making you a more powerful player?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

You know a lot of them. And I'm sure they'll take your phone calls. Look, we're very focused we got a lot of excitement around the company in both CW as well as Walker & Dunlop and I think it's fair to say that everybody who is inside this company today, feels the excitement of our growth and feels the added breadth and scale of our operations will make us more effective and a much bigger competitor. And so from that, you can sort of I don't know what the competition is saying, but we clearly plan on competing as far as we ever had and we think that this is a great advantage to us and to our clients bringing these two companies together.

William C. Marks
Analyst, JMP Securities LLC
Q

That's fine. It was probably not the most appropriate question to be asking you. And then in terms of, because it always happens when you make a strong acquisition, everyone wants to know what's next and I guess that's my question and you still have a good balance sheet and so, is it – are there other boutiques out there that or small firms out there that it's still possible you would grow, I know you have your mindset on this one right now?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

So, this deal took four months, start to stop, right? First conversation with Fortress about this was in early May and we closed the deal on the September 4. Our team has been running exceedingly hard to not only put this deal together, close this transaction, but keep both Walker & Dunlop in for the period time of integration CWCapital running at full speed. And so, we need to maintain our focus on making sure that these two firms perform perfectly going forward. We got a lot of integration work to do between here and the year-end.

And I would just say to you, Will, that the one thing I would add is that our added scale, our partnership with Fortress and then having I think done such a successful job on both going public as well as acquiring CWCapital, has plenty of opportunities arriving at our doorstep and conversations going on, but we need to stay laser focused, to use a term that Debbie used in her comments, on integrating these two great firms and making sure that we put up the numbers that we think we can put up.

William C. Marks
Analyst, JMP Securities LLC
Q

That's fair enough. Thank you.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

You are welcome.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

Thanks, Will.

Operator: Our next question will come from the side of Brandon Dobell with William Blair, please go ahead. Your line is open.

Brandon B. Dobell
Analyst, William Blair & Co. LLC

Q

Thanks. First is I guess a technical question, the Fortress lockup in 180 days, does that cover the entire Fortress ownership or is that a slice of that?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

The entire ownership.

Brandon B. Dobell
Analyst, William Blair & Co. LLC

Q

Okay. Perfect. Then how does this transaction change your view on the – I guess the potential size or opportunity with the interim loan fund or may be the investment management opportunity, [indiscernible] (28:41) question, but does this give you other ways to allocate capitals in that fund or other people you can talk to as potential co-investors, something like that?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

Yeah, Brandon. As Debbie outlined, we've expanded our warehouse capacity significantly, but in doing so a number of lenders are no longer in those lines and many of them are desirous to keep working with Walker & Dunlop in some form or another and so, as you can imagine, we are using those dialogues to see whether we can increase our interim loan capabilities, think about other types of products and services that we might be able to provide to our clients. So, I do believe that the additional scale, and if you will, the consolidation that we've had from a warehouse lending standpoint, is going to be very, very, very beneficial because there are other financial services firms that would like to continue working with us and are trying to find ways to do so.

Brandon B. Dobell
Analyst, William Blair & Co. LLC

Q

Okay and then in the presentation, you mentioned scale of the benefit if and/or when GSE reform happens, maybe that kind of, top two or three things that you think are the biggest drivers behind that perspective, I think it would be helpful if you put some color around why I think that makes you or puts you in a better spot than you would have been without this transaction maybe.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

Well, I think that as we continue to grow our market capitalization, which is getting close to $0.5 billion, we're bringing in additional institutional investors and if you will, more following to Walker & Dunlop, and as such, I clearly believe that if we needed to go out and raise capital that having grown the market capitalization where there are more people watching us, there are more investors in the company, it would make going out and raising that capital significantly easier. The second thing is having a 35% shareholder in Fortress Investment Groups or I should say in affiliated Fortress Investment Group to please my general counsel.

The – Fortress, you know this very well, Brandon, I mean with Nationstar with a number of other investments that they have, they not only know how to raise capital very effectively, but they also have been very capable of figuring out where there are opportunities and how to go about, if you will, navigating these waters. And so I think that having two seats on our board that will be representatives of Fortress and having them be such a big shareholder is very advantageous to us. And then the final thing I'd say is just back to the warehouse lines and the type of scale that we've gotten right now is that we have got a number of financial service institutions as partners who are very desirous to working with us in any way possible.

And so, as they continue to, if you will, make bigger bets on Walker & Dunlop, I believe our ability to go to them and think about new things and be able to put together new products for our customers is very advantageous and then when and if anything happens to Fannie Mae and Freddie Mac, we will be at a scale where to go out and raise capital to compete with Fannie and Freddie as they are being wound down or other sources of private capital, I think is very, very much within our capability. I mean, think about who we compete with. We compete with the big banks and the big insurance companies and for all of their great capabilities, I wouldn't call them the swiftest movers, if you will, out there as it relates to changing with markets and then we compete with a lot of smaller private firms that don't have the capital base that we do. And so, if you have any kind of significant change to Fannie and Freddie, I think we and probably two or three other firms are the best positioned right now to be able to react to that change.

Brandon B. Dobell Q
Analyst, William Blair & Co. LLC

All right, may be a quick numbers question. Debbie, I think just want to make sure I understand this intangible amortization is going to occur in Q3, Q4 and then through 2013. So, the 30% to 50% of that asset, that asset is $12 million to $18 million number that you quoted or am I reading that correctly?

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

You are.

Brandon B. Dobell Q
Analyst, William Blair & Co. LLC

Okay. So, 30% to 50% of that comes off in Q3 2013 in Q4, will you guys break that out separately, kind of Will's question, or is that going to be within the overall D&A number?

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

We will – so, the revenues that go in, it will go in just like a normal course of business, but we will disclose, I am looking at Mike, we will disclose the amortization, [ph] stick (33:08) to the amortization.

Brandon B. Dobell Q
Analyst, William Blair & Co. LLC

Okay, perfect and then final one from me. You mentioned people, Willy, kind of where you are producer wise right now given the overlapping offices, did you lose any of the – let's call it legacy Walker & Dunlop producers or was it just your policy with CW guys in and now you have got CW plus Walker & Dunlop and there was no attrition in those producer racks?

William M. Walker A
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

So, I tapped the conference table that I'm sitting at right now as I say, we have not lost a single originator through the, well I guess, three months since this deal was announced.

Brandon B. Dobell
Analyst, William Blair & Co. LLC
Q

Right, okay.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

And the other piece to it, Brandon, is that one of the somewhat unique things about this combination is that there is very little overlap. There are very few clients who are big clients of CW and big clients of Walker & Dunlop and so, we have very few jump balls as it relates to two originators who have the same clients and want to figure out who has got them. And so quite honestly, given the scale of both Walker & Dunlop and CW prior to the combination, it's quite shocking that there was not more overlap, but we feel that one of the most powerful pieces of this entire thing is that there wasn't that overlap and therefore you're really, back to Debbie's point, you are taking one and one, and it really can't become more than two.

Brandon B. Dobell
Analyst, William Blair & Co. LLC
Q

As a follow-on to that, does this change how you guys think about the correspondent relationships, do CW have a different structure or different mindset around how they would work with, let's call them, third-party or partners?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

So, they were all direct.

Brandon B. Dobell
Analyst, William Blair & Co. LLC
Q

Okay.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

They do not have correspondents.

Brandon B. Dobell
Analyst, William Blair & Co. LLC
Q

Okay.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

The one correspondent-esque relationship that they had was their joint venture with ARA.

Brandon B. Dobell
Analyst, William Blair & Co. LLC
Q

Right.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

...which is the large multifamily investment sales, is the second largest multifamily investment sales company in the country behind CBRE. And that's tying multifamily investment sales into the financing function, if you will, and that joint venture conveys with the deal, so that joint venture is now between Walker & Dunlop and ARA, but that's the only, if you will, correspondent-esque relationship that CW had. Other than that, all of their originations were direct from the CW originators.

Brandon B. Dobell Q
Analyst, William Blair & Co. LLC

Okay, great. Thanks a lot.

William M. Walker A
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Thank you, Brandon.

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

Thank you, Brandon.

Operator: Next, we will go to the side of Jim Fowler with Harvest Capital. Please go ahead, your line is open.

Jim J. Fowler Q
Managing Director, Harvest Capital Strategies LLC

Hello Willy, a quick question for you on the servicing portfolio for CW, does it have the same type of prepayment protection that your portfolio has exhibited in the past?

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

Hi Jim, it's Debbie.

Jim J. Fowler Q
Managing Director, Harvest Capital Strategies LLC

Hey, Debbie.

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

If I remember correctly, we talked to you on the call last time that we had prepayment protection in the low 90%s on our existing portfolio and the combined portfolio was, I believe, in the mid 70%s. So – and the reason is, is because of – HUD is the big difference, but combined overall, it's in the mid 70%s.

Jim J. Fowler Q
Managing Director, Harvest Capital Strategies LLC

Okay, great. Thanks very much.

Jim J. Fowler Q
Managing Director, Harvest Capital Strategies LLC

You bet.

Operator: We will next go to the side of Bose George with KBW. Please go ahead, your line is open.

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi, thank you, actually this is Ryan O'Steen on for Bose.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

A

Hi, Ryan.

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. My first question, you mentioned that you should be able to decrease the cost of servicing 40% to 50%, could you give that – an idea of that in dollar amounts?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

We haven't done that, Ryan, sorry. That's – we had plenty of discussions about that, but we are not – we haven't done that at this point – and we know all of you have your numbers and your plugs, if you will, but we have not gone into that detail.

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Sure. I mean, just in terms of pre-acquisition margins or profitability on the servicing platforms, how would you compare CW's versus your own?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

Well, we haven't broken that out. So, I guess that the real issue there is, that if we believe we are going to bring down the cost of servicing on the CW platform by 50%, you'd think that their overall cost structure was somewhere in the 50% greater than ours, but beyond that, we are not getting into it on a dollar term of what it cost us, both for the outsource services as well as what the people who were inside of the company cost us to service the portfolio.

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, thanks. Now, just to confirm, did you say the combined servicing fee was going to go to 20 or 22 basis points?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

22 basis points.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

A

22 basis points.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

When we – after selling, so the numbers we walked through, Ryan, were as of June 30, because that's the financial statements for CW that we put into the presentation, and so that was the servicing portfolio that at that time still included the CMBS portfolio that was sold. So, now that the CMBS portfolio was sold, all we were saying was that the average servicing fee, once that portfolio was sold, moved from 20 basis points up to 22 basis points.

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, great. Lastly, you took on some debt to help fund this acquisition, you still have relatively low leverage overall on a corporate debt basis, have your thoughts at all changed on leverage?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

No. We've got plenty of capacity and so, I think we've got plenty of cash, we've got plenty of borrowing capacity. So, we feel very good and we just did a transaction using a significant amount of our equity. So, we feel pretty good as it relates to, if you will, the financial levers that we have to pull if we wanted to go do something else.

Ryan O'Steen
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great, thank you.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

A

You bet. Thank you, Ryan.

Operator: Your next question comes from the side of Jason Stewart with Compass Point. Please go ahead. Your line is open.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC

Q

Hi, thanks for taking the question. Most have been answered, but from a 10,000-foot perspective, could you go through maybe where you think the economics stabilize? How long it takes to work through all the one-time charges? Is it two, three quarters, is it a year before we get to see the actual benefit for the transaction?

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

A

I was going to say most of – Jason, most of the expenses and kind of deal-related expenses, we believe, except for the remaining pipeline intangible asset, will effectively be captured during 2012.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC

Q

That's correct.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc. A

In the four months. So, there will be some pipeline intangible asset remaining at the beginning of the 2013 that will kind of be amortized over 2013. That's pretty much it, because the servicing portfolios are being combined on platforms in November-December timeframe as we talked, and perhaps earlier. And then all the severances being accrued this year and the overlap is this year and then kind of January 1 of next year, where kind of – the company is on a going-forward basis.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC Q

Okay. So, in terms of offices and locations, those will happen fairly quickly as well.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc. A

Yeah, we're looking at doing all that between now and the end of the year. There may be some longer-term leases and things of that nature that we have to work on, but no, that's – we're trying to get all of that taken care of in the next couple months. We're moving as quickly on all these issues as we can, but as I said, there are some decisions we're making right now that will have short-term economic impacts and others will have long term, but we're trying to move as quickly as possible.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC Q

You certainly have moved very quickly to date, so I think we all appreciate that. On the Fortress side, you said, I think in the prepared remarks, and correct me if I'm wrong, that Fortress has the right to two board seats, have they given you appointments for those seats?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc. A

No.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC Q

Is it your expectation that they will put people on the board?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc. A

It is very much my expectation, Jason, that they will put people on the board. Our next board meeting is in November. So, we expect to have the two Fortress board members join us for our November board meeting.

Jason M. Stewart
Analyst, Compass Point Research & Trading LLC Q

Okay. And then I'm guessing they haven't given you any thoughts on how long they expect to be a shareholder, or maybe even if you know what fund or affiliate this is coming – the shares will be going into?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc. A

No. I would just give the following, which is just that, as you may know, Fortress has two sides to it, a private equity side and a credit side. And our stock is held between those two sides of the house, if you will. And so, if – I know that the private equity side looks at this as a longer term investment, if you will. And I would think that the credit side looks at it as a shorter term investment. And therefore, it would not surprise me if the credit side looks to do something during 2013 with some of their shareholdings, I have absolutely no idea when, how much, what have you.

But, as I said in our – and when we announced this deal, we're putting out 11.6 million shares in an accretive transaction and if Fortress holds on to them, great; if Fortress turns around and sells them out to other institutions, we have broadened the shareholding of Walker & Dunlop and over time, will increase the float, and I think that is net positive for a stock that has been wanting for more float and additional institutional investors. So, my expectation is not that Fortress takes us and holds on to the stock forever. And then I'd also say that if we start to see Fortress sell, you are probably looking at the two sides of the house, if you will, of the credit side potentially selling down and the private equity side potentially holding; and at the same time, they could both act together to either hold or sell as they go forward.

Jason M. Stewart Q
Analyst, Compass Point Research & Trading LLC

Okay, that's perfect. Thank you for the color, I appreciate it.

Deborah A. Wilson A
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

Thanks, Jason.

Operator: Next, we will go to the side of Jason Stankowski with Clayton Partners. Please go ahead. You line is open.

Jason Gordon Stankowski Q
Founder, Partner & Portfolio Manager, Clayton Partners LLC

Hi, congratulations on a really stellar transaction. I'm curious on the – you mentioned you would ask for a $3.2 billion of servicing MSRs to be sold, just curious what the strategic rationale for that was and whether the cash, the $3.3 million, that generated is sort of indicative of the value or cash of that notional amount of servicing rights that would – for the other assets on your balance sheet?

William M. Walker A
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

Okay. So on question one, a very quick no, okay? So, that CMBS servicing, which carries far lower servicing fees than our HUD, Fannie, Freddie servicing. So, that is not, if you will, a fair proxy for the value of the agency servicing. On to question one, as it relates to strategic reasons, we have CMBS servicing inside of our existing portfolio, but these loans required you to be a rated servicer and Walker & Dunlop today is not a rated servicer.

We can be rated over a period of time, but it was our decision, with the thousands of things that we are doing as far as integrating these two companies, that to go to the effort of rating Walker & Dunlop right now, rather than just selling this piece of the portfolio and taking the cash, was a better move. It's not strategic from our standpoint, if you will, to be a rated servicer right now. So, we made the move to sell the portfolio and, if you will, increase the average servicing fee on the overall portfolio and then also have the CMBS in the portfolio be CMBS that we can service as a non-rated servicer.

Jason Gordon Stankowski
Founder, Partner & Portfolio Manager, Clayton Partners LLC

Q

Is there – from the MSR standpoint, are there opportunities to finance or otherwise monetize portions of the agency MSRs at attractive rates in the marketplace and would that be attractive to you guys, or are you more focused on just originate and hold them?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

So, originate and hold is clearly the business model. And building up the servicing asset, we believe, both short-term and long-term, is very much in our shareholders' interest. With that said, we've had a number of people call us and say, you want to try and monetize a piece of the portfolio, because there are lots of investors who would love to see what the market would pay for a piece of your portfolio.

There are two sides to that. First one is, it's not strategic for us to do that, so we'd have to think about whether we want to do that. But the second piece to it is, is that the most valuable servicing, the servicing that has the highest servicing fees on it, is our Fannie Mae servicing, and that is not sellable. As this transaction shows, to move servicing from one Fannie Mae DUS lender to another, you need to acquire the entire enterprise, and you need to receive Fannie Mae's approval for that acquisition.

And the servicing portfolio is Fannie Mae's ultimate collateral to the DUS lenders. And so, because 50%, as we pointed out in this combined servicing portfolio, is Fannie Mae servicing and because that is not sellable without a enterprise sale, it's not – it's A) not strategic, but B) the great – the golden egg in here, if you will, is not something that we could monetize. And so with that said, we continue to think about whether at some point we might sell off some of the servicing to give people a benchmark, if you will. But back to the original question, the $3.3 billion of CMBS servicing we sold out of the CW portfolio is not an indicative, if you will, price. It's clearly a market price for the CMBS portion, but that is not what this portfolio is built up of.

Jason Gordon Stankowski
Founder, Partner & Portfolio Manager, Clayton Partners LLC

Q

Okay. So, there's obviously other higher value targets in there. And I guess lastly, just looking at the page 10 of the income statement, is the changes you made for the purchase adjustments and looking back on the six months, is it right to kind of take a look at that and say, you had $15 million or so on a 22.5 million or 23 million shares outstanding, and if you kind of take your adjustments and combined, you'd have $29.5 million on a 34 million – the 22.8 million plus the 11.6 million you issued. And sort of that's the type of accretion benefits potential, once you get all this other stuff flushed for 2013, that people should be looking at?

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.

A

Can I answer that? Yeah. Jason, there are couple of things. You are correct as it relates to the numbers, the $15 million related to our 22 million and the additional $15 million of net income relates to the incremental 11.6 million shares. So, your math is correct. There is a little bit of noise in the CWCapital financial statements that we've talked about as it relates to the accounting of MSRs when we announced the transaction. So, I'm happy to have some conversations about that if you want to go into more detail. But effectively, we are going to put – we are putting their MSRs on our books at fair value, and that we will amortize it in a method consistent of ours, which is an effective interest method, where they use the fair value method. So, there is some noise in these financials.

Jason Gordon Stankowski
Founder, Partner & Portfolio Manager, Clayton Partners LLC
Q

Got you. So, there's some apples and oranges in the two net numbers. Okay, I can follow up with you on that. Thanks so much. Have a great afternoon.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

And Jason, I just wanted to clarify one more thing on the rated servicing. Willy is right; for strategic reasons, we chose to sell that servicing. We are looking at starting the ratings process for Walker & Dunlop on a combined portfolio in the fourth quarter. So I didn't want that to get lost in this process. So, just as a clarification.

Jason Gordon Stankowski
Founder, Partner & Portfolio Manager, Clayton Partners LLC
Q

Okay, great. Thanks so much.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

And, one other point that's just been pointed out, which is just that, as it relates to the EPS calculation, don't forget that the number of shares is a weighted average, so you can't just go and do the straight math that you just said, because it is a weighted average number of shares.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

Right.

Jason Gordon Stankowski
Founder, Partner & Portfolio Manager, Clayton Partners LLC
Q

Great, thanks.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

You bet. Thanks, Jason.

Operator: Next, we will go to the side of Ryan Zacharia with JAM. Please go ahead. Your line is open.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

Hey, guys. Thanks for taking the question. Debbie, I just wanted to clarify one thing. You mentioned that the new term loan – the Bank of America term loan had a margin of 350 basis points?

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

That's right.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

But, the 8-K that was filed on September 10 and the actual agreement says 375 basis points.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

Oh, I'm sorry. You are correct. The average cost right now is 400 basis points. You are exactly right.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

Okay.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

Thank you.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

And, then just going back to the last question about the P&L, so the $20 million of MSR fair value adjustments at CWCapital included, I think in their financials, it said about $7 million of HUD rate related write-downs. So, is it fair – I guess it's hard to opine, but is it fair to characterize their numbers as kind of aberrationally low because of that?

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

I don't – two things. They have an older HUD portfolio that has some high rates in it – higher rates in it. And based on the fact that they were higher rates, they do have a much higher chance that those could prepay, and for that what they were taking that in to account, when they were valuing their MSRs. Do I expect to see those types of fair value adjustments in the future? You can kind of look at our portfolio. We've not had fair value adjustments. We just had amortization if we look at our portfolio for impairment on a portfolio level, not on a loan by line level. So, I do consider some of it unusual, but it was really reflective of the change in interest rates combined with the fact that they've got an older HUD portfolio.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

Look, so presumably, assuming rates were consistent with when they made that change and took the $7 million hit, their number because their portfolio is a little bit smaller, right around the same size as yours, their amortization if it followed your treatment, would look kind of similar net of – excluding that $7 million adjustment?

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

It should look comparable for the size of the MSRs versus the amortization because their MSRs are coming on the books for slightly less than ours, right?

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

Yeah.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

So, there is going – but they're both going to amortize on an effective interest method.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

Okay. And just on the $5 million to $7 million a year in G&A savings, does that contemplate all of the [ph] OpEx (52:23) combinations and things that you're thinking about or is there upside to that number based on what other changes might be implemented?

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

It does not include combination of the [ph] OpEx (52:35).

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.
A

Correct. It doesn't include, Ryan, any write-off of leases or things that we have to do there. That's really a – that's a general and administrative as far as people cost and just basic operations and not, if you will, infrastructure.

Ryan Zacharia
Analyst, JAM Equity Partners LLC
Q

Okay, great. Thanks, guys.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

Thank you, Ryan.

Operator: And for our final question, we will go to Tim Connor with William Blair. Please go ahead. Your line is open.

Tim Connor
Analyst, William Blair & Co. LLC
Q

Thanks. Good afternoon, guys.

Deborah A. Wilson
Chief Financial Officer, Treasurer & Executive VP, Walker & Dunlop, Inc.
A

Hi, Timo.

Tim Connor
Analyst, William Blair & Co. LLC
Q

I wanted to dig in a little bit more on the ARA relationship and whether that's exclusive and national, and whether that's going to extend to – now to the your legacy Walker & Dunlop producers and what it does with your relationship with Cushman?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

Timo, we are a week into the relationship with ARA, and we view the relationship that CW and ARA established to be a wonderful partnership that brought significant deal flow to CW, and we've stepped into those shoes. But I think it's a little early for me to give you very clear, if you will, responses to your questions given that we did have a relationship with Cushman & Wakefield.

We have inherited a much larger relationship with ARA. And I think that if we go down one path or the other, we're probably on the ARA side. But we need to sit down and see what our partners at ARA want to do with this partnership or what we want to do with the partnership, and see how we build upon what was created at CW. So, at this point, we'd hold off on saying to you quite honestly any further clarity right now, as it relates to the CW-ARA partnership or the Walker & Dunlop-Cushman & Wakefield relationship.

Tim Connor
Analyst, William Blair & Co. LLC

Q

Okay, fair enough. I'll dig in hopefully on something that you can answer. Is the CW-ARA relationship, was that exclusive?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

It was not exclusive.

Tim Connor
Analyst, William Blair & Co. LLC

Q

Okay. Were they getting a decent chunk of the pipeline?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

A decent chunk of the pipeline? I think it's fair to say that in aggregate, ARA sales volume, no, but that's not to say that it wasn't a very vibrant partnership. It was doing good volumes for CW.

Tim Connor
Analyst, William Blair & Co. LLC

Q

Okay. And then, I've read a few articles about what Michael Berman might or might not be doing, could you maybe expand on a little bit about what you see his role being and what he is going to bring to the combined entity?

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

Sure. So, as has been announced, Michael is with us until the end of the year, I'm thrilled to have him in this role spearheading our government relations efforts, if you will. Michael has not only built a wonderful company at CWCapital, but also has been a true industry leader as it relates to the Mortgage Bankers Association, where he was chairman of the Mortgage Bankers Association Board. And he, because of being in that role, has sat or sits presently on pretty much every single taskforce you can possibly imagine about the GSE, is the future of the GSEs and the role of the government in American housing.

And so, having someone with Michael's deep relationships and deep knowledge of these issues, working on our behalf to represent us in those discussions is hugely valuable to Walker & Dunlop at this stage, particularly with a Presidential election coming up, and many people wondering quite honestly after the Obama administration has done really nothing with GSE reforming in its first term, if he gets reelected, one would think that they come out with something in term two, or a new Romney administration and what are they thinking about and what's the world look like under Romney administration. So, having someone with Michael's background and relationship is hugely valuable to us and that's the role he will play until the end of the year. And then, what Michael does next is – there is an article today in a trade publication just talking about what Michael is looking to focus on going forward and we shall see.

Tim Connor
Analyst, William Blair & Co. LLC

Q

Okay, thank you. That's it from me. I appreciate it.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

A

Thanks.

Operator: I would now like to turn it back over to Mr. Willy Walker for any closing remarks.

William M. Walker
Chairman, President & Chief Executive Officer, Walker & Dunlop, Inc.

I just want to say thank you everyone for joining us today. This is somewhat of, kind of, an unusual call, if you will, to give an update on an acquisition, but I'm hopeful that all these data and information that we relayed to you all today is helpful, as particularly the analysts update their models to adjust for the CW acquisition. And I appreciate all the good questions as it relates to the implications of this deal.

And I would just finally say that, four months from start to stop on this deal was quite something. And, as I've said at every public comment, I've been able to say as well as inside of our company, I am incredibly thankful and impressed with the work that the Walker & Dunlop team did to pull this deal together in such short order. So, thank you to them, and thank you to all of us for joining – thank you to all of you for joining us this afternoon.

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