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Walker & Dunlop, Inc. *(WD)*

Acquisition of CWCapital LLC by Walker & Dunlop, Inc. Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Walker & Dunlop's company update conference call and 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 11 a.m. Eastern. [Operator Instructions] It is now my pleasure to introduce and turn the floor over to Ms. Claire Harvey. Please go ahead, ma'am.

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

Thank you, Josh. Good morning, everyone and thank for joining us for Walker & Dunlop's company update call to discuss the acquisition of CWCapital LLC. Joining me this morning are Willy Walker, our Chairman, President, and Chief Executive Officer and Debbie Wilson, our Executive Vice President and Chief Financial Officer.

This call is being webcast live on our website and a recording will be available later this morning. Both our press release and website provide details on accessing the archived call. This morning we posted a press release and a presentation to the investor relations section of our website, www.walkerdunlop.com. Both documents provide additional detail on certain topics, which we'll refer to during our prepared remarks.

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

Walker & Dunlop is under no obligation to update or 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. The company and its directors and officers may be deemed to be participants in the solicitation of proxies from stockholders of the company in connection with the issuance of the company's common stock.

Information about the directors and executive officers of the company and their ownership of the company's common stock is set forth in the definitive proxy statement for the company's 2012 annual meeting of stockholders filed by the company with the SEC on April 26, 2012, and in the company's statements of changes in beneficial ownership filed on Form 4.

Investors can obtain more information when the proxy statement related to stockholder approval of the company's issuance of common stock in connection with the acquisition of CWCapital becomes available. This proxy statement, and any other document field by the company with the SEC, may be obtained free of charge on SEC's website at www.sec.gov or at the company's website at www.walkerdunlop.com. Investors should read the proxy statement carefully when it becomes available before making any voting decision because it will contain important information.

Now, I'll turn the call over to Willy.

William Walker

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

Thanks, Claire. Good morning and thank you all for joining us for this conference call to discuss Walker & Dunlop's acquisition of CWCapital. I will just say it is a fantastic morning for I believe both Walker & Dunlop as well as CWCapital. Throughout this call, I will refer to slides that have been posted on the Walker & Dunlop website for review. During the call, I'll briefly comment on the transaction and then open the line for questions. Since we will not be doing one-on-one follow-up calls with analysts today, I would encourage people to ask as many questions as we have time for after my opening remarks.

We are extremely pleased with this transaction and like the acquisition of certain assets from Column Guaranteed in 2009 from Credit Suisse and our IPO in 2010, we believe this acquisition is a transformative event for our company. This acquisition was put together over the course of the past month and I want to personally thank the members of the Walker & Dunlop, CWCapital, CW Financial Services and Fortress Investment Group team that helped underwrite and structure this transaction.

CWCapital is a wonderful company with a history, business focus and corporate culture similar to Walker & Dunlop's. CWCapital and Walker & Dunlop sit very close to one another in the Mortgage Bankers Association annual rankings and the combined entity will be one of the largest commercial real estate lenders in the United States.

As slide two of the presentation outlines, this deal adds significant origination capabilities and servicing revenues to Walker & Dunlop. Based on 2011 numbers, the two companies originated $7.7 billion of commercial loans and as of March 31, 2012, serviced over $33 billion.

Slide five shows the commercial mortgage lending league tables and shows where Walker & Dunlop and CWCapital would have ended 2011 as a combined entity. Scale matters for many reasons in our industry and this acquisition provides significant scale and opportunities for future growth.

I'd like to talk about the terms of the transaction for just a moment. As slide three describes, we've agreed to acquire CWCapital for $220 million, comprised of approximately $80 million in cash and $140 million in Walker & Dunlop stock. The stock component of the transaction may vary depending on Walker & Dunlop's stock price movement. So, the aggregate purchase price may adjust accordingly.

I believe it is a resounding endorsement of Walker & Dunlop's management team, people and business strategy that CW Financial Services accepted approximately 64% of their consideration in Walker & Dunlop's stock and we are very excited to have CW Financial Services as our largest shareholder.

Slide six shows where Walker & Dunlop and CWCapital have existing offices and correspondent origination relationships. In those cities where both companies have operations, we will consolidate operations and gain economies of scale wherever possible. It should be noted that most offices across the country other than Walker & Dunlop's Headquarters in Bethesda, Maryland and CWCapital's Headquarters in Needham, Massachusetts, are primarily loan origination offices with origination and underwriting personnel.

It is our plan to keep the origination and underwriting infrastructure of both companies in place after the closing of the transaction. With regard to support services, such as loan servicing, asset management, finance and accounting, we will determine what types of synergies and cost savings we can derive in the future.

Slide eight shows the growth of Walker & Dunlop's servicing portfolio over the past five years. I must say that growing the servicing portfolio from $7 billion at the end of 2008 to over $33 billion when this transaction closes is a wonderful accomplishment. As the pie charts at the bottom of this slide demonstrate, over 72% of the combined servicing portfolio will be loans originated for Fannie Mae and Freddie Mac where Walker & Dunlop is typically pre-payment protected. With an average servicing fee of 20 basis points and an average remaining life of 9.72 years, this aggregate servicing portfolio is a magnificent asset that will throw off significant cash flow over the coming decade.

At the end of 2011, Walker & Dunlop laid out a growth plan that included three discrete strategies. On slide nine, you will see that our first strategic objective was to be a top five lender with Fannie Mae, Freddie Mac, and HUD. Based on 2011 originations, the combination of Walker & Dunlop and CWCapital would have been the largest originator for Fannie, Freddie, and HUD on a combined basis. Being number one, particularly when competing with global financial services and insurance companies makes a big difference. The financial scale created by this transaction will also be helpful in raising proprietary capital for our lending operations.

Finally, unrelated to this transaction, but nonetheless very important to Walker & Dunlop's ongoing strategy, we've recently hired two very significant origination teams in Florida and Wisconsin. They will accelerate the growth of our capital markets business dramatically to diversifying the property types and capital sources for our lending operations.

As the bar at the bottom of this slide states, all of our strategic initiatives are designed to retain exceptional talent, maintain credit discipline, and generate strong margins.

Slide 10 highlights some of the points that make the deal financially compelling for Walker & Dunlop. The acquisition is expected to be accretive in 2012 and we'll be able to leverage our existing platform and infrastructure to gain economies of scale. We will not be discussing origination volumes or pro forma financials for the combined entity on this call. The proxy statement that will be issued to Walker & Dunlop stockholders in connection with this transaction will include pro forma financial statements and provide investors with a better picture of what these two companies would have looked like on a combined basis.

In closing, I'd like to reiterate how excited we are with this transaction. CWCapital is filled with outstanding people who have created a fantastic company. Everyone at Walker & Dunlop joins me in looking forward to working with the professionals at CWCapital in our pursuit of building the premier commercial real estate finance company in the United States.

With that, I'll open the line for any questions you might have.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Our first question comes from the side of Bose George with KBW. Please go ahead. Your line is open.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Good morning, everyone and congratulations on the deal. Actually my first question, and I know you just said you won't provide pro forma financials, but just thinking about the accretion on the deal, like as we sort of think about the modeling, where should we think of the accretion coming from. Is it mainly the cost side, top line and just sort of directionally is there anything you can say on that?

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

A

Good morning, Bose. I would put forth that as we look out into the out years as it relates to the combination of both Walker & Dunlop and CW, we believe that there is going to be significant accretion from both overall growth and originations and then also some cost savings from combining two companies that today do for all practical purposes almost the exact same thing.

But as I said in the call, the origination and underwriting and closing operations are obviously the engine that feeds the company. The areas that we would look to for any potential synergies would be in back office. And as well, I would just say that anything we identify there is going to be over the coming year. We're not looking for anything immediate, if you will, as it relates to that side of the equation. We believe that the combination of the two firms is just widely beneficial from a competitive positioning standpoint and we also believe that the recurring revenue streams that we're picking up with this servicing portfolio make the combined platform that much stronger with very, very consistent revenue streams coming out of that servicing portfolio.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, that makes sense. Thanks. And in terms of the timing and the size of the debt issuance, is that something you can discuss now?

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

A

Yeah. As far as timing is concerned, we think it will take us somewhere around 90 to 120 days to get through regulatory approvals. We have to go to Fannie Mae and Freddie Mac and HUD as well as we'll go to [indiscernible] (12:59) and then as it relates to the financing, we filed this morning in the 8-K. We did not – we have not filed anything as far as the financing for the transaction. So, that information will come out in the proxy, I believe, yes.

Sorry to have to look to my team around the table, Bose, but as you can imagine, things have been moving quickly and filings and things of that nature will happen. So, we have not disclosed anything as it relates to the financing at this point.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Okay. And then just one more thing on the – just on the equity issuance, the 30% up or down protection, just curious how that's being structured?

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

So, it's outlined in the purchase and sale agreement. Debbie, you want to talk for a moment about that?

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

Sure. Bose, good morning. As you know, the number of shares was based on the price for the last 20 days trailing weighted average price. If that price moves up or down by 30%, each side has agreed to readjust the number of shares that they will get based on a similar VWAP calculation. But effectively what it's done is given us the opportunity if there is a significant movement in price either up or down, that the number of shares would be adjusted.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Okay. Great. Thanks a lot.

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

You bet.

Operator: And our next question comes 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. Good morning, everybody.

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

Good morning, Brandon.

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

Morning.

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

Couple of quick ones. Willy, I didn't quite catch the portion of the servicing portfolio that was going to be [ph] prepayment (14:38) protected on a go forward basis. I couldn't quite catch that number that you threw out there?

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

Yeah. The number I put out was 70%, what is it, 70% – it's not – 70% was it? 72%? 72% is Fannie and Freddie, Brandon.

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

Got it. Okay.

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

72% of the combined portfolio is Fannie and Freddie and as you know, the majority of that is pre-payment protected.

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

Got it. Okay. How does this change or does it change the relationship that you guys have [ph] both from a tie up (15:06) with correspondents?

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

Walker & Dunlop has maintained great correspondent relationships over many, many years and it would be my assumption that all those correspondent relationships stay in place. But I am certain that there are certain clients and certain geographies where there maybe some additional overlap, if you will, but it's our intention to keep those correspondent relationships in place.

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

Did CW or was CW as big of a correspondent user as you guys?

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

They do not have a correspondent network. So, they're all direct originations.

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

Okay, which leads to the next question then. What about producer retention from CW – you mentioned on the management team and I'm guessing the stock is going to be distributed mostly to the Fortress people or Fortress, so how do we think about producer retention?

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

So, as you well know, the producers are the engine that feed, if you will, both our revenues as well as our long-term servicing portfolio. So, they're extremely important to the overall platform. CW has a fantastic origination platform with some of the most talented originators in our business. So, as you can imagine, we focused on that issue. We have discussed that issue with CW's management team. And it's a priority of ours to make sure that we keep in place the entire origination team that is on CW today. I would make one other point Brandon, which is just that as we look at these two companies, there really is not a great deal, as a matter of fact, there is very, very little both geographic as well as client overlap, which might seem odd given the scale that both Walker & Dunlop and CW had prior to this transaction, but it was actually one of the most compelling pieces to this transaction, is that there are not a lot of, if you will, jump-balls over geographies or clients between the two origination platforms.

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

All right. I noticed on the CW site that there is an investment management business, CW, what is called now CW investors...?

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

Services.

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

Yeah, exactly. So, is that – sometimes you think [ph] to split out (17:24) these kind of transactions, but is that business going to come over, I think it's around $12 billion, $13 billion in AUM?

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

Yeah, it does not.

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

Okay.

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

So, CW Financial Services is owned by several Fortress' investment funds. CW Financial Services stays behind and it is CWCapital which is their Fannie, Freddie, HUD and what we call capital markets, which is conduit in life insurance company business comes across as well as the agency servicing portfolio, but the special servicing portfolio that you referenced to does not come across.

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

Got you. Okay. And then final one from me, it looks like there is three or four new states for you guys and I know in the past, you've talked about looking for producers in new states to getting new licenses for those states with the agencies. How do we think about the state-by-state expansion strategy or is there any kind of big holes that you look out on a geographic basis now and say, hey we've got to get there first after this transaction?

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

A

You are observant there in the sense that there are some Freddie Mac state licenses that CW has, that Walker & Dunlop did not previously have, so the combined platform expands are geographic, if you will, coverage with Freddie Mac. As we've discussed previously, we are always desirous of growing the number of licenses that we have and there are couple of states that where we very much would like to have Freddie licenses, as you know our Fannie Mae DUS license is a national license; Freddie Mac is state by state.

I would just put forth that I hope that the scale that we gain by this combination and as the slide that I pointed you to as far as the league table showed, this combined company will be the third largest Freddie Mac seller/servicer based on last year's origination numbers and so, it's my great hope that when we go into see Freddie Mac once this combination gets consummated, if you will, we can get some additional licenses and continue to grow our originations for Freddie Mac.

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

Q

Okay and I'll add one final question. You guys have always talked about your credit and underwriting standards and processes and obviously the low reserves and low default balances would point that out. But how do we think about the combination of the two companies, have they done as good of a job as you guys have on the credit side?

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

A

They have and I would just say that as we underwrote this deal Brandon, one of the reasons why we could do it in such quick – in such a quick order, if you will, which was a month from start to finish from the very first conversation, was that – there were a couple of things that matched up very nicely. One, the general corporate culture, the people, the way they go about originating their business. But then secondly, when we started to look into their loan portfolio from an underwriting standpoint, they are very, very similar to Walker & Dunlop as it relates to their approach to credit and as it relates to their credit track record from a losses and from a reserve standpoint. So, when these come together and we show the Street what these look like from a credit standpoint, I think you will see that it is a very – it's very reflective of the way Walker & Dunlop has approached its business in the past.

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

Q

All right, great. Thanks, very helpful.

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

A

Thank you, Brandon.

Operator: Our next question comes from the side of Brian Hagler with Kennedy Capital. Please go ahead. Your line is open.

Brian Hagler
Analyst, Kennedy Capital Management, Inc. Q

Hey, good morning.

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

Good morning, Brian.

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

Good morning, Brian.

Brian Hagler
Analyst, Kennedy Capital Management, Inc. Q

Just want to dig a little bit more into the EPS accretion side, obviously the cost savings are fairly easy to understand, but I mean you mentioned part of that would also come from the origination side. Is that just from the fact that you guys as a combined company, you can be may be do larger deals than the two separate companies could have thought about doing or could you explain that a little bit more?

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

Yeah, I think that – I mean, it is that, Brian, in the sense that I think that the combination and the fact that we will move up in the league tables to the degree that we are is going to provide a tremendous amount of momentum for the combined platform and they have some fantastic originators as do we and I think that the combination of both origination platforms give every originator. We have both a bigger and better brand, if you will, that's not to say the Walker & Dunlop brand versus the CW brand, but the combined brand as far as being one of the largest originators.

And then I guess the second piece to it would be that there are some things that we have as far as products at Walker & Dunlop. For instance, as we have announced, we have our interim loan fund, which is a bridge product between, if you will, an un-stabilized asset and taking up for permanent financing. That's a product that CW sales force does not have today and so when we plug that product in, I think that that will help the CW producers capture additional deal flow and grow their originations. So, I think there is a bunch. It's both the overall size and scale. It's the learning that will take place between the two origination sales forces and then I also think its products and we're very focused on expanding our products as rapidly as we can.

Brian Hagler
Analyst, Kennedy Capital Management, Inc. Q

So, it sounds like broader array of products, not only maybe being able to originate larger loans, but you might get a look at more volume as well. Was that – is that what's important about moving up the league table?

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

It is and then I'd also say on the larger loan size, CW has a number of originators who are known in the industry as being very, very large in aggregate and large in individual deal size originators and so, having them on our platform will give us access to increasingly larger deals which, as you know, provides tremendous leverage from a financial standpoint.

Brian Hagler
Analyst, Kennedy Capital Management, Inc.

Q

Right. And can you give any kind of range of the expected accretion in 2012 and 2013?

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

A

Yeah, we are not. I would have put that in the slides if we were going to. So, what we're going to do is we're going to put the proxy together and as we move closer towards closing and as you all have additional information on what CW look like as a private company, we will obviously start to talk those numbers through with the analysts.

Brian Hagler
Analyst, Kennedy Capital Management, Inc.

Q

And when might that be?

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

A

We expect to file the proxy, Debbie, 30 days – 30 to 45 days is when we expect to file the proxy.

Brian Hagler
Analyst, Kennedy Capital Management, Inc.

Q

Okay, great. And then secondly, can you relate to $220 million purchase price to some valuation metrics. I guess I'm just interested to see kind of how that compares to where your company is being valued on a standalone basis in the market today?

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

A

Yeah, I'm – what I'm going to go to is just the accretion that this transaction brings to Walker & Dunlop and not get into our overall valuation. As you can imagine, we went through a very detailed valuation with our board of directors last night and the board of directors feels very, very good as it relates to the acquisition of CW and the price we're paying for CW. I'd also add that the consideration being 64% if the numbers stick where they are, back to the point that I made previously as far as any adjustments that Debbie talked through. But 64% of their consideration Walker & Dunlop stock I think is a wonderful endorsement of our platform and our management team and to have CW Financial Services, which is owned by Fortress be our largest shareholder is a real testament to our team and I think to the power of the combined platform. So, we're very pleased with it.

Brian Hagler
Analyst, Kennedy Capital Management, Inc.

Q

So it sounds like the valuation metrics that were discussed were forward price to earnings multiples and anything else besides that?

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

A

I am not going to – Brian, I'm not going to go into the details as it relates to the discussion that the board had. We obviously received the fairness opinion on the deal, feel that the price we are paying for CW is very beneficial to Walker & Dunlop and to our shareholders, and it is an accretive transaction without synergies in 2012.

Brian Hagler — Q
Analyst, Kennedy Capital Management, Inc.

Great. I appreciate the time.

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

Thanks, Brian.

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

Thank you, Brian.

Operator: [Operator Instructions] And we will next 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

Good morning everyone and congratulations on the transaction. Just one quick question for you Willy, on page eight, what is a specific reason for the difference in the servicing fee between the CW portfolio and your portfolio? Thank you.

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

Sure, Jim. If you look in that on slide eight, if you just look at the percentage of – and we don't break it up by percentage, but if you look at the dark blue, dark blue is Fannie Mae, light blue is Freddie Mac, green is HUD and grey is other. And so, if you just look at the dark blue, Fannie is as you well know the most servicing rich, if you will, given the risk sharing. And so, if you just look at the percentage of the Fannie in their portfolio, if you go down below on left hand side Jim, see how Fannie Mae there as of March 31, 2012 is 41% of their portfolio, it's 61% of our portfolio. And so as a result of that, that's why you get the – it's not a disparity, it just happens to be that their portfolio in aggregate has an average servicing fee of 17 basis points to our 23 basis points, combined you're going to get to 20 basis points. And then, as you see in the average life, that is really due to the amount of HUD inside of their portfolio. As you can see again down to the bottom left, HUD comprises 16% of their loan portfolio and only 9% of our portfolio, and so the longer maturity or longer duration of the HUD loans is what pushes out their average duration to 10.6 years and had ours at 8.8 years, but on a combined basis it pushes it out to 9.72 years.

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

Got it. It's longer duration but less credit risk, good. Okay. And then, over time would you think that as you grow the portfolio, will there – do you think there will be a – on the margin, more growth in Fannie Mae servicing, so that servicing margin will move more towards what it has been historically or do you – are you indifferent to that at this point or you are not sure how that might come through?

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

Well, as I think we've discussed in the past Jim, we don't really control where a given deal goes. We are giving the customer the best deal and the best pricing that the market can give them when we look at the specific transaction. So Fannie and Freddie in 2011, Fannie Mae did just about $25 billion of multifamily originations volume, Freddie did about $20 billion and those volumes at any given time fluctuate where Fannie will be the most competitive or Freddie will be the most competitive.

I think one of the most exciting things about this deal is that Walker & Dunlop on a combined basis with CW moves up to being, if you will, the undisputed number one Fannie Mae DUS origination company in the country. Then we move up to number three with Freddie Mac. And so, with that kind of scale on both Fannie and Freddie, it really shows the leadership and expertise that we have. So if somebody is preferential to a Fannie or a Freddie execution, we obviously have the capability to do that, but the amount of deal flow that goes one way or the other is not really determined by us. It depends on how competitive Fannie and Freddie are at that time and it also depends on the overall capital markets and how other sources of capital are competing with Fannie and Freddie.

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

Okay, thank you for your help. Good luck, thanks.

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

Thanks for getting up so early.

Operator: And next, we will go to the side of David Gold with Sidoti & Company. Please go ahead. Your line is open.

David Gold
Analyst, Sidoti & Co. LLC
Q

Hey, good morning.

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

Good morning, David.

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

Good morning, David.

David Gold
Analyst, Sidoti & Co. LLC
Q

Excuse me. Just two quick follow-ups, one is, can you speak a little bit that the chart on page four points to CW and the terrific growth they've had over the past couple of years. But, can you give us a sense for what that would look like if we take it back say two more years, in other words if we saw, say 2007, one? And then two, also a sense if any of that was acquisition related or if all of that growth is organic?

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

So, CW's history as the slide says, David founded in 1972, Michael Berman, who is their CEO is truly a leader in our industry. He was Chairman of the Mortgage Bankers Association in 2011 and is widely known. One of the things to keep in mind is the evolution of CW similar to Walker & Dunlop, they were really focused just in the Fannie Mae space in the early 2000s, and then they moved in quite aggressively when Caisse de Depot made an investment in them and when they were owned by Caisse de Depot into the special servicing business. And they built up the special servicing portfolio that I actually spoke to about when I was taking the call from – the question from Brandon. And so to your question of backing that up, I think that if you looked at them pre-2009, much of their business growth in sort of the 2004, 2005, 2006 and 2007 timeframe was in their conduit as well as in their CDO business and this core business continued to operate, but that was the real growth engine that they had appropriately so to where the Capital Markets were at that time. And then the acquisition by Fortress from – of CW and CW Financial Services from Caisse de Depot back in 2010 was when the special servicing business and the agency business, if you will, really were set up to run on their own, and what we are bringing in here is just the agency business. So...

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

But, David.

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

Go ahead.

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

David, to your point on the bottom left picture on page four, all of the growth is organic. They've not had acquisitions of companies. So, the growth that you see in that is the business that is coming as part of this transaction, but the growth has been organic.

David Gold
Analyst, Sidoti & Co. LLC
Q

Terrific. And just one other quick one if you can, will there be or can you speak to whether there will be a lock up on the shares that are going to Fortress?

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

As the purchase and sale agreement outlines David, they have a 180-day lock up from closing.

David Gold
Analyst, Sidoti & Co. LLC
Q

Perfect. Thank you both.

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

Thank you.

Operator: And our final 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

Good morning. Thanks.

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

A

Good morning, Jason.

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

Q

Congratulations. And, if you could just give me a little bit of color on the timing of the transaction and maybe your desire or the speed to close seems quick. I know you are familiar with the company, but if you could just give us some color on that, that would be great?

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

A

So as I mentioned previously Jason, we put this deal together in a month. And I think that that – one comment I would make there is Fortress, as you probably know, is a wonderful private equity firm that is – does a tremendous amount of mergers and acquisitions, if you will, or acquisition activity. And I have to do a little bit of a shout out to our team that Walker & Dunlop really showed our capabilities in this space to be able to underwrite and structure a fantastic transaction with such a sophisticated, if you will, buyer and seller of companies in a very short period of time.

As it relates to the, if you will, the push to close, there is – first of all, there is no reason to go slowly. And the second thing about it is that, this is a people business, and so we want to as quickly as possible get the CW employees into the W&D platform, start the integration and make sure that we capture all of the value that we believe this combination will create. So, we think that the timeline is a very realistic timeline of 90 to 120 days. It would be our hope that we close this transaction in early September and that's not an unreasonable amount of time. I think that as it relates to any issues as far as Hart-Scott-Rodino. We on a combined basis as we put forth in the presentation in 2011 originated $7.7 billion of commercial mortgages. That does make us on a combined basis a top 10 originator or lender to the commercial mortgage business, but this is a $3.1 trillion market. So, if the Justice Department decides to take issue with a $7.7 billion company and a $3.1 trillion market, we'll obviously go through that process. But, it is not as if from a competition standpoint given the banks and life insurance companies that are multi-billion dollar enterprises from a market capitalization standpoint that I would think we run into anything there.

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

Q

Okay. I guess I'm curious about one of the bullets on slide two where it says, if and when Fannie – Fannie and Freddie reform occur and whether the timing of this transaction has anything to do with what you're seeing on the reform of those two agencies?

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

It does not. But I appreciate you raising that issue but I think it's important to keep in mind. Scale does matter. If Fannie, if the economy backs up and we have either through slippage in GDP growth or slow growth out from here, it would be my opinion that Fannie and Freddie reform slows down even more than it has been slowed down. That the need for Fannie Mae and Freddie Mac to be involved in the market, is that much more important and that regardless of who is the President of the United States after November. But if the economy is still struggling, Fannie and Freddie reform takes a back seat. And therefore what you have in this combination is a real powerhouse in this space.

If the economy heals, let's take a scenario of Mitt Romney wins the Presidency and the Senate goes to the Republicans and Fannie and Freddie reform accelerates, I mean you do actually get some legislation passed in 2013 that has significant implications for Fannie and Freddie over the coming years.

I believe that the scale with this transaction provides us, enables us on a number of different levels both from an origination standpoint as far as having access to deal flow, on a financial wherewithal standpoint to be able to go and use our financial wherewithal to raise proprietary sources of capital. And then, I think finally as the largest non-bank agency lender in the country, if you think about all the issues on too big to fail and I mean more specifically the Fed yesterday saying that Basel III is going to be applied to all bank holding companies. Being a non-bank, publicly traded, scaled financial services company, I believe positions us extremely well for whatever eventuality might come from Fannie and Freddie reform when and if it comes into play.

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

Great. Thank you for the color and congrats.

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

Thanks very much. I appreciate it.

Operator: I would now like to turn the call back over to Mr. Willy Walker for any additional or closing remarks.

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

I'll just close by saying that I know that there are both Walker & Dunlop employees as well as CW employees listening to this call this morning. I think that this deal is a great testament to everyone at both companies for all of the fantastic work that everyone has done. And we have taken two true industry leaders and put them together to create this new enterprise, and I'm very much looking forward to working with everybody at both Walker & Dunlop and CWCapital in the coming years as we continue to grow this platform. And I would thank both the analysts and the investors who tuned in this morning to hear about this exciting transaction. And as we move down the path of both issuing our proxy, going to closing and our upcoming quarterly earnings calls, you will get more information on this deal as we move along. So, thank you very much and have a wonderful day.

Operator: This does conclude your teleconference. Thank you for your participation. You may now disconnect.