WALKER DUNLOP 4TH QUARTER & FULL YEAR EARNINGS

March 29, 2011
8:30 am Eastern

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Walker Dunlop (fourth) quarter and full year earnings conference call. During the presentation all participants will be in a listen only mode. Afterwards we will conduct a question and answer session. At that time if you have a question please press the 1 followed by the 4 on your telephone.

If at any time during the conference you need to reach an operator please press star 0. As a reminder, this conference is being recorded, Tuesday, March 29, 2011. I would now like to turn the conference over to your vice president of investor relations, Miss Claire Harvey. Please go ahead.

Claire Harvey: Thank you, (Frank). Good morning everyone and thank you for joining the Walker & Dunlop (fourth) quarter and full year 2010 earnings call. Joining me this morning are Willy Walker, our chairman, president, and chief executive officer, and Debbie Wilson, our executive vice president and chief financial officer.

This call is being webcast live on our Web site and the recording will be available later this morning. Our earnings, press release, and Web site provide details on accessing that archived call. We have posted a presentation on our Web site this morning that provides additional detail on certain topics which will be referred to during our prepared remarks this morning.

Investors are urged to carefully read the forward-looking statements language in our earnings release. Statements made on this call which are not historical facts may be deemed forward-looking statements within the meaning of 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 in our reports on file with SEC. I will now turn the call over to Willy.

Willy Walker: Thank you, Claire, and thank you everyone joining us this morning for our first earnings call as a public company. Walker & Dunlop has been in business since 1937 and I'm very pleased to be reporting to our shareholders such strong results for the company's 296th quarter in business.

I will provide color on our 2010 year-end and fourth quarter results, discuss our business and competitive environment, touch on the regulatory landscape, and then turn the call over to Debbie to discuss our financial results in more detail. We will be happy to take any questions at the end of the call.

We embarked on the path to take Walker & Dunlop public during the second quarter of 2010 at a time with the IPO market was just opening up and the word mortgage was probably closer to a four-letter word than an eight-letter word. We became the first mortgage banking company to go public in almost four years, and while doing so produced record operating results for the year.

We are extremely proud of those two accomplishments. Our decision to go public was similar to our acquisition of certain assets of Column Guaranteed from Credit Suisse in 2009.

In the depths of the financial crisis when most lenders were reducing their exposure to credit we capitalized on the market dislocation, diversified our sources of capital, and made and acquisition that immediately benefited shareholders.

Acquiring Column assets in 2009 and taking the company public in 2010 exemplify Walker & Dunlop's ability to accomplish great things in challenging markets. Two thousand ten produced record origination volumes, record revenues, record servicing fees, and record operating income for the company.

After significant market dislocation in 2009 due to the global recession, 2010 was a highly competitive year for loan originations as the economic landscape began to recover and our competitors were back in full force. Yet Walker & Dunlop grew origination volumes by 42% year-on-year beating the industry growth by 17%.

We accomplished this by staying focused on our clients, adding value to our transactions, and managing our origination business extremely well. Howard Smith, our chief operating officer, deserves great credit for managing the day to day loan origination process so well.

All of our origination success would not be nearly as valuable to the company had we not maintained exceptional credit discipline throughout the mortgage boom from 2004 to 2008. Walker & Dunlop could not have maintained 30%

plus operating margins simply by growing the top line. Credit performance is key to our success.

Our credit culture under the leadership of chief credit officer Richard Warner is outstanding. Our people, processes, and credit analysis capabilities have been recognized with numerous industry awards and are truly best in class. With that said, we are not immune to the highly challenging commercial real estate markets where property values have dropped significantly since 2008.

While our provision for (reissuing) obligations grew significantly between 2009 and 2010, it is still well below industry benchmarks. We had net write-offs in 2009 and 2010 of 1 basis point and 3 basis points respectively of our at-risk portfolio.

Over the past ten years we have had net write-offs of approximately 1 basis point per year of our average at-risk portfolio. Those are exceptional statistics.

Although we are by no means out of the woods with regard to the challenging commercial real estate credit environment, our 60-day delinquencies peaked in June of 2010 at 1.64% of our at-risk serving portfolio and were down to 0.85% by year-end.

Our management team has operated through cycles and fully understands that credit decisions made today have a ten-year look back on whether they were good or bad decisions. Our track record shows that over time we have made excellent credit decisions.

Let me turn for a moment to the market fundamentals in multi-family and other commercial real estate asset classes. The multi-family property market is improving. Rents have begun to grow and vacancies are declining.

The strengthening fundamentals for multi-family properties should drive increased sales activity as well as financing activity, and improved operating fundamentals for the loans in our at-risk serving portfolio.

It is important to remember that Walker & Dunlop's only credit exposure is to the multi-family sector which has withstood the down turn much better than other commercial asset classes. As well, capital is starting to come back to the market for office, retail, and hospitality properties.

Walker & Dunlop's capital markets group, which originates loans in these asset classes for life insurance companies and Wall Street conduits, had strong origination volumes in Q4 2010, and we expect to see increased origination in our capital markets group going forward. I want to give a brief update on agency reform in the future of Fannie and Freddie.

We have been active in the discussion on GSE reform having met with trade associations, lobbyists, members of congress, and treasury department officials. It is impossible to say with any clarity what legislation will be enacted and what impact it will have on the future of the GSEs.

Yet two major themes continue to be discussed, first, patching transformational legislation may be very difficult in this congress. We will likely see various legislative proposals introduced that are intended to alter Fannie and Freddie's mandate.

But getting transformational legislation passed between now and the 2012 election is viewed today as highly challenging from a political perspective.

Second, there is a great deal of discussion around multi-family and what role the federal government will play in supporting multi-family housing. The Obama Administration's white paper prominently discussed multi-family and it's important to U.S. housing policy.

How much involvement the government decides to have, however, and at what level of average (medium) income they define affordable housing will have significant implications on Fannie and Freddie and eventually the lending programs where we partner with them.

We will continue to lend with capital with the GSEs for as long as their programs operate in a price competitive, efficient manner. And as the future of Fannie and Freddie becomes clearer we will adapt to any change and find new sources of capital to meet our customers' financing needs.

We believe our current products, scale, and people provide a strong foundation for growth. As highlighted on Slide 3, the total commercial real estate financing market is a $3.2 trillion market. Multi-family represents over $842 billion of that $3.2 trillion or 27%.

Within the multi-family sector there is between $25 billion and $53 billion of refinancings every year over the next seven years. For a company that originated $3.2 billion of loans in 2010 or 10 basis points of the overall commercial real estate financing market and $2.9 billion of multi-family loans or 34 basis points of the multi-family market, the opportunities for growth are abundant.

We are currently pursuing several initiatives to put the capital we raised in our IPO to work and believe there are many opportunities for us to grow our core platform as well as add new products and services.

While we are not going to speak about specific transactions we are working on at this time, it is important to communicate that we remain focused on implementing a successful, multi-faceted growth strategy that will not only broaden the company's products and services but also significantly increase shareholder value.

We raised capital at the beginning of the economic cycle rather than the middle or the end which should be advantageous to us over the coming years. It is now up to us to deploy that capital to provide our company and shareholders with the greatest return. With that, I'd like to turn the call over to Debbie.

Debbie Wilson: Thank you, Willy, and thank you all for joining us this morning. Two thousand and ten was truly a record year for Walker & Dunlop and it reflected our long-term strategy to grow the business and to remain focused on operating margins.

Our income from operations for 2010 was $40.1 million and up 40% from $28.6 million in 2009. We're very pleased with this strong performance and we believe the income from operations is a key performance metrics for our business. Our net income for 2010 was $8.2 million compared to $39.5 million for 2009.

Net income for Q4 2010 - excuse me, net loss for 2010 Q4 was $21.3 million compared to net income for Q4 2009 of $10.8 million. There are unique revenues and expenses that have a significant impact on the comparability of our quarterly and annual net income for 2009 and 2010, let me touch on them briefly.

First, the company's tax status changed from a pass-through entity to a C-Corporation concurrent with the closing of our IPO, and as a result we recognize that deferred tax expense of $31.6 million in Q4 2010. Prior to the IPO, corporate income taxes were the responsibility of the individual owners of the company.

The deferred tax liability is primarily attributable to the mortgage servicing rights on our books and will be payable as the servicing revenue is received over the next seven to ten years. In addition to this expense, in 2009 we recognized a bargain purchase gain of $10.9 million from the company's acquisitions of certain assets of Column Guaranteed.

To demonstrate what our financial performance would have been without these unique revenues and expenses, Slide 5 normalizes 2009 and 2010 for taxes, it removes the bargain purchase gain and results in pro forma, income from operations, net of taxes of $24.6 million for 2010, a 40% increase from $17.5 million in 2009.

Pro forma income from operations net of tax for Q4 2010 was $6.5 million, a 2% decrease from $6.6 million in Q4 of 2009. If you turn to Slide 6 you'll see the company's total revenues were $121.8 million in 2010 compared to $88.8 million for 2009, a 37% increase. The increase in revenues was primarily due to higher loan originations and the fees as well as higher servicing fees.

We saw increased originations in all products and the largest increases in our Freddie Mac and HUD originations. You may remember that the Freddie Mac and HUD loan products were added early 2009 as part of the Column transaction and we're very happy with their performance.

In the table on the bottom of Slide 6 you will see the loan origination volumes by quarter since 2007. As the graph demonstrates, there is no clear pattern for quarterly loan origination volumes. You should not expect to see straight lined or gradually increasing loan originations each quarter.

What you should see, because it is our clear objective, is increased loan origination volumes year-over-year. I would like to elaborate on two revenue lines. On Slide 7 gains from mortgage banking activities was $85.2 million in 2010, a 47% increase over 2009.

There are two components to gains on mortgage banking activities, loan origination fees and gain attributable to mortgage servicing rights, and we commonly know these as MSRs. Loan origination fees increased 52% in 2010 to $42.2 million due to the higher loan origination volumes.

These fees will vary somewhat with vary somewhat with (unintelligible) of originations, for example, Fannie Mae versus HUD, but in general they will move in tandem with aggregate loan origination volumes. Loan origination fees did increase 7% to 133 basis points of originations in 2010.

We do expect to see some origination fee compression in 2011 and beyond as other sources of capital return to the commercial real estate lending markets. For the other component of gains for mortgage servicing rights recorded in loan originations in the sales process in 2010 were $43.1 million, a 42% increase.

We only book MSRs for loans we originate for Fannie Mae, for Freddie Mac and for HUD. The average MSRs recorded in 2010 were 136 basis points of loan originations versus 135 basis points in 2009.

As you can see our average MSR was very consistent between '09 and '10 even though we originated significantly greater loan volume with Freddie Mac, HUD, and our capital markets group where MSRs are lower or nonexistent.

The final component of revenue I'd like to discuss is our serving income, serving income of - excuse me, $27 million in 2010, a 29% increase over 2009.

This increase in servicing income was primarily attributable to the larger aggregate serving portfolio which now stands at $14.6 billion, and a higher weighted average serving fee which is now at 20 basis points, up 11% from 2009. This increase in average servicing fee produces $2.9 million of incremental income for the company per year.

I'd now like to focus on our operating margin and some of the cost components that impact our margins. Our operating margin increase to 33% in 2010, up from 32% in 2009. Our operating margins have been very strong throughout the real estate boom and bust over the past decade.

Margins will vary by quarter but we continue to manage the business to produce greater than 30% margins on an annual basis. Our major cost is personnel expense, but it represents only 35% of our total revenues in 2010. Other operating expenses which we watch closely accounted for 11% of total revenues.

Finally, the other major cost component is the provision for risk sharing obligation and it was 6% in total revenues in 2010, up from 3% of total revenues in 2009. As you can see we manage our cost closely and any improvement in the credit environment would have a significant impact on our margins.

I'd like to spend the next few minutes discussing the company's risk sharing obligations for loans we originate and we service under the Fannie Mae DUS program. We share some level of credit risk on most of the loans we sell to Fannie Mae. That risk sharing obligation is detailed on Slide 8.

As of December 31, 2010, our total servicing portfolio was $14.6 billion, of which $9.5 billion or 65% was service for Fannie Mae. The company does not take full risk sharing on all the loans we originate for and sell to Fannie Mae.

Of the $9.5 billion of Fannie Mae loans in our servicing portfolio, $6.7 billion are subject to the full Fannie Mae risk sharing obligations and are defined as our at-risk servicing portfolio. As you'll see on Slide 9, we have taken larger provisions for our risk sharing obligation in recent years.

For 2010 we recorded a provision for risk sharing obligations to $7.5 million compared to $2.3 million in 2009, a 230% increase. While this increase sounds large, it represents 0.11% of our at-risk serving portfolio and 0.05% of our total servicing portfolio and is well below almost all industry benchmarks for multi-family and commercial real estate (loan office).

As of December 31, 2010, our allowance for risk sharing obligation was $10.9 million or 0.16% of our at-risk servicing portfolio. This allowance has grown due to the time it takes to foreclose on properties and settle our risk sharing obligations with Fannie Mae, particularly when properties are located in judicial foreclosure states.

We do not believe that the funding of these losses will have a significant impact on our cash or liquidity position. As of December 31, 2010, we have funded $4.7 million or 43% of the $10.9 million of estimated losses through monthly principal and interest advances.

In 2010 we had a net write-off of $2.1 million or 0.03% of the at-risk serving portfolio and the write-off related to one loan. For then ten-years ended December 31, 2010, we had net write-offs totaling $4.5 million or 0.01% per year of the average at-risk servicing portfolio.

As mentioned previously by Willy and is illustrated on Slide 10, 60-day delinquencies as a percentage of the at-risk servicing portfolios reached their peak of 1.64% in June of 2010 and has since declined to 0.85% in December 31 of 2010.

I'm pleased to report that in 2011 we continue to see improvement in the property fundamentals and the credit quality of our at-risk servicing portfolio.

In summary, Walker & Dunlop had an extremely strong 2010. We grew our top line 37%, our servicing income 29%, income from operations 40%, all while absorbing relatively small credit losses. With our newly raised capital and a well run origination operation I'm very confident that Walker & Dunlop will continue to perform well. With that, I'd like to turn the call back over to Willy.

Willy Walker: Thanks, Debbie. I want to repeat what I said at the beginning of this call, 2010 was a tremendous year for Walker & Dunlop due to our successful IPO and record financial performance with 40% year-on-year growth.

I close our prepared comments by simply stating that I'm honored to be CEO of Walker & Dunlop and have the privilege to work with such a talented group of professionals throughout the organization every day. I take great pride and a heavy sense of responsibility leading the company that my grandfather and father built.

I would welcome all our new shareholders to our company and ensure you that the energy, focus, and leadership that I have brought to my job every day over the past seven years is only heightened by your investment and confidence in our company. With that, we will now take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to register a question please press the 1 followed by the 4 on your telephone. You will hear a three tone prompt to acknowledge your request. If your question has been answered and you would like to withdrawal your registration please press the 1 followed by the 3.

If you're using a speakerphone please lift your handset before entering your request. One moment, please, for the first question. Our first question comes from (Will Marks) from GMP Securities. Please proceed.

(Will Marks): Thank you. Good morning Debbie, good morning Willy. I guess I wanted to start with on the, I guess it was the 20 basis point rise in - or I'm sorry, your average servicing fee is now 20 basis points, is that correct?

Willy Walker: Yes.

Debbie Wilson: That's right, (Will).

(Will Marks): What do you expect in 2011? Do you think you'll maintain that level approximately?

Willy Walker: We have not seen yet, (Will), any compression in servicing fees. And so if you think about it the servicing portfolio has gotten to such a scale now that it takes a significant amount of originations at higher servicing fees to move it.

So the fact that we picked up two basis points in 2010 over 2009 is honestly wonderful. And as Debbie clearly said, it's almost $3 million of additional income to us on an annual basis. I think specifically your question, are we seeing compression in serving fees? Not yet.

(Will Marks): And historically, how has that played out, has it been long-term compression, is it volatile?

Willy Walker: What you would see if you went back in time, (Will), is that back in 2006/2007 in the hypercompetitive market the servicing fee on our Fannie Mae loans is priced in when we rate lock.

And so it really is based on what happens in the overall market on where that servicing fee sits. And so you will see servicing fee compression when other capital comes back into the market. But so far, as I said, we have not seen any servicing fee compression.

(Will Marks): Okay, great. Go ahead, sorry.

Debbie Wilson: Hey, (Will), it's Debbie. I just wanted to add, the Freddie Mac, the HUD, and the (unintelligible) has been stable forever. So that virtually doesn't move. So the only thing that does move, as Willy mentioned, is the Fannie Mae.

(Will Marks): Okay. And did you mention on Fannie Mae that there are certain Fannie Mae loans where you aren't taking risk at all?

Debbie Wilson: There is some amount of Fannie Mae that we don't take risk on, and let me just go to - it's on Slide 8. There's about (unintelligible).

Willy Walker: Is that feedback - sorry, but we're hearing feedback on our end of the line. I don't know - (Will), are you hearing feedback where you are? You're the one person who's got the line right now.

Operator: Pardon me, sir, the feedback was coming from (Will)'s line, actually.

Willy Walker: Okay, thank you.

Debbie Wilson: Got it.

Willy Walker: (Will), you have another question?

Debbie Wilson: (We lost him)?

(Will Marks): (Unintelligible) but just cap rates in the environment, what you're seeing with the average cap rates and how you expect that to drive transaction volume this year particular for multi-family.

Willy Walker: So, as I mentioned in my prepared remarks, multi-family has performed extremely well as an asset class. In major MSAs we've actually seen cap rates fall back to where they were sort of in the (go-go) days of 2006/2007, in secondary and tertiary markets, not so much.

And as it relates to what that's done from a financing standpoint, since multi-family has held up so well you're seeing increased sales activity which is driving increased financing activity. And the real challenge right now is a year ago, (Will), it was very difficult to find comps for properties because there just wasn't that much transaction volume.

So going out and getting an appraisal that had a real number to it of what the market looked like was reasonably challenging. In today's market with significant sales activity there are good comps for us to be able to look at what (LTV)s are.

We're still very much focused on cash flow lending, not value lending if you will, so the (LTV) is not nearly as important to us as debt service coverage. And so cap rates are in some markets probably lower than one would expect them to be at this time in the cycle, but that's just because of the amount of capital trying to chase good product.

(Will Marks): Okay, thank you. I'll leave it at that.

Operator: Our next question comes from (Bose George) from (KBW). Please proceed.

(Bose George): Hey, good morning and congratulations on the first quarter of public company. I had a couple of questions, first, just on the gain on sale margin outlook for 2011. Are there any other factors, I mean, you guys mentioned the changing mix, but apart from that is there anything else that we should think about in terms of, you know, where that margin could go this year?

Willy Walker: I don't think so, (Bose). I think if you think about origination fees and servicing fees and where they are, as Debbie highlighted in her comments, we actually had a 7 basis point pick up in origination fees year-on-year.

And then our MSR average fee was actually flat year-on-year even though we added a significant amount of Freddie Mac, HUD, and capital markets business to the mix which just shows the strength, if you will, of our Fannie Mae MSRs during the course of 2010.

But I would just put forth that in 2011 we expect to see - we have not seen any degradation either on the origination fee side or on the MSR side.

(Bose George): Okay, great. Thanks. And then just switching to growth, I just, you know, wanted to see if you could give any color on how you're approaching growth? Has there been, you know, good opportunities to hire producers or, you know, small bolt-on acquisitions? Or, you know, any color on that would be great.

Willy Walker: As I said, I can't talk specifically about what we're up to. I'll put forth a couple things. First of all, I think that the acquisition of Column in 2009 and taking the company public in 2010 show clearly that this company knows how to get transactions done.

And those were both very significant transactions, so the ability to execute on smaller transactions I would expect we would be quite capable at doing that.

The second thing is that we did the IPO at the end of December, as you know, and then turned to getting back to our normal business. And then also starting to, if you will, put lines in the water to figure out what we were going to do. And so the first quarter has been filled with a lot of activity as it relates to talking to interested parties, looking at hiring origination talent, et cetera.

But as you know, in the IPO process we could not have any of those discussions prior to going public. And so as a result of that there is a lot going on but there's nothing to report at this point.

(Bose George): Okay, great. Thanks. And then actually just one last thing, on the mix of (non-GFE), you know, HUD product this year, I mean, how high do you think that number could get?

Willy Walker: How high could that number get? It really depends (unintelligible) - no, it really depends on how we grow that business beyond the mid-Atlantic. So today our capital markets group is based in our - there's the headquarters and we're primarily doing brokerage work in the mid-Atlantic region.

We've started to source deals in our other offices across the country. But it really will depend on how many people we add to that over the course of the year, but if you look at any of our competitors and the growth that they're projecting for 2011 in that line of business there should be significant growth there year-on-year. But I'm holding back from giving you a number, (Bose).

(Bose George): Okay, no problem. Thanks very much.

Debbie Wilson: Thank you, (Bose).

Operator: Ladies and gentlemen, as a reminder, if you have a question or comment please press the 1 followed by the 4 on your telephone. Our next question comes from the line of (Matt Kelly) from Morgan Stanley. Please proceed.

(Matt Kelly): Thanks, guys. Can you hear me?

Willy Walker: Yes, we can.

Debbie Wilson: Hi, (Matt).

(Matt Kelly): Okay, perfect. Hi. So I was hoping you guys could talk about a little bit how much your competition has picked up, where you're seeing the most competition, and how you view that right now.

Willy Walker: Was your first part, (Matt), compensation or competition?

(Matt Kelly): I'm sorry, it's competition.

Willy Walker: Okay. The competitive landscape is an interesting one. I guess there are two sides to it. First of all, on the agency origination side, if you look at our 2010 numbers, and as I said in my comments, it was an extremely competitive landscape in 2010. We've clearly shown that we've been able to compete very well with our largest competitors in the agency lending space.

The growth of our HUD volumes, the growth of our Freddie Mac volumes in really our second year in those two businesses I think shows our capabilities in agency lending. And then year-on-year growth in Fannie Mae was terrific particularly given that we're already one of the largest Fannie Mae DUS lenders.

In that market there are - there's a lot of activity going on, if you will. The banks are all trying to put out their own capital, so how much their pushing their agency lending versus pushing their own balance sheet products.

You could go down the list of the large banks that we compete with and probably do some digging there so see if they're really promoting their own products versus agency products. But they all have a lot of capital that they want to put out and so they're using their origination force to put out all their products, if you will.

As it relates to - there is some (M&A) going on in the space right now and that has caused some question marks as it relates to where people are, are they happy on the teams that they're in, what have you. We've been very pleased to be sort of head down, if you will, in doing our core business and winning.

And then the other side to it is the overall (CNBS) market and what's coming back there from (CNBS) and life insurance companies. Life companies are competing for multi-family for the first time in a couple years. They're winning a deal here and there, generally speaking lower leveraged deals. And they're getting very competitive on rate and lower leverage deals.

With that said, the agencies are still dominating the market and for your standard 75% (LTV) (125) debt service cover deal, you're going to go Fannie or Freddie nine times out of ten. Will the conduit start to pick up some multi-family for their pools? Probably, they have not yet.

If you look at the pools that have been done so far this year there's almost no multi-family in those pools. But the bottom line is the capital is coming back from other institutional sources and that's a net benefit to our borrowers. And Walker & Dunlop will be there to work on placing the most, if you will, appropriately structured and cost competitive capital that we can.

(Matt Kelly): Okay, just one follow-up on that and then one more question from me. On the competition front, how much more important does it become then for you guys to provide bridge loans? Will that be a big source of a competitive edge for you?

And then my second question is just on, you know, I know you've talked a little bit about origination volumes year-over-year, but any sort of indication as to how the first quarter is going, and what's your strongest and weakest points there?

Willy Walker: So as it relates to bridge or other products, there's a lot of - first of all, we are actively focused on getting a bridge product. And we said that during the IPO process and we've turned to that, and we are in the process of negotiating some term sheets along those lines. So we are very much moving down that path.

As it relates to how much need there is for that bridge product, there's a lot of talk about it but the number of deals actually getting done, I've tried to (pro), we obviously don't know the volumes that are competitors are doing.

But when you talked to people about what's actually getting done in the market there's clearly the opportunity to do bridge lending or transitional lending, if you will, until properties are stabilized for agency takeout. But it's not a huge volume of business, it's a very helpful, if you will, arrow to have in your quiver, but it's not necessarily a huge volume driver.

And none of our projections are to have huge volumes in that product. More specifically as it relates to volumes, as Debbie was very straight forward in saying that our business varies on a quarter to quarter basis.

And so you'll see what we did in the fourth quarter of over $1 billion of origination and you may see $1/2 billion, $3/4 billion in the first quarter and in no way should that say to somebody, oh, you know, they're off.

We - our business, if you look back at the slide that Debbie pointed out, which I think is Slide 6 in the presentation, if you look at our origination volumes on a quarter-to-quarter basis over the last four years there's no consistent pattern there.

What you will see is that there's pretty much a blowout quarter every year and then other quarters have consistent volumes between sort of $1/2 billion and $3/4 billion.

And so we will continue to manage the business towards a year-on-year growth and overall aggregate origination volumes. But quite honestly we wake up every morning, come to the office to, if you will, sell as many loans as we possibly can. But when they hit and how they roll through our P&L varies.

The other issue that I would say is that in Q4 that's when the majority of our producers are at the end of their (splits), which means that as a percentage of gross origination fees they earn a higher number. When we get into the first quarter of the year, they're all basically starting over from zero as it relates to what their commission structure is.

And so the company in the first quarter will, by nature of the way we compensate people, keep more of the origination fee income than we do in the fourth quarter. And so that's an important piece to our overall financials and the way you ought to watch both margins as well as volumes play through our numbers.

(Matt Kelly): Great, thank you. That's very helpful.

Operator: Mr. Walker, there are no further questions at this time. Please continue with your presentation or closing remarks.

Willy Walker: We've got nothing else. I would just reiterate, we're really pleased where we are closing out 2010 the manner that we did and having raised the capital when we did at the beginning of the cycle. We're very focused on deploying that capital and continuing to grow our business.

And appreciate all of you taking the time this morning to listen to our conference call and ask the questions that you did. So thank you very much.

Operator: Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines. Have a great day everybody.

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