Conference Title: Third Quarter 2026 Walker & Dunlop Earnings Call

Date: Thursday, 5th November 2026

Operator: Good day and welcome to the third quarter 2026 Walker and Dunlop Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Amy Hopkins, Senior Vice President of Investor Relations. Please go ahead.

Amy Hopkins: Thank you, Karen. Good morning, everyone. Thank you for joining Walker and Dunlop's third quarter 2026 earnings call. This call is being webcast live on our website, and a recording will be available later today. Joining me today are Willy Walker, chairman and CEO and Greg Florkowski, our CFO. Before we begin, please note that 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. Investors are urged to read the forward-looking statements in our press release, which was posted this morning to the Investor Relations section of our website. More detailed information about risk factors can be found in our annual and quarterly reports filed with the SEC. Additionally, we'd like to remind you that during this call, we will discuss some non-GAAP financial metrics. Reconciliations of these non-GAAP financial metrics are included in our most recent earnings release and earnings call presentation, which can be found on our website. And with that, I will now turn the call over to Willy.

Willy Walker: Thank you, Amy, and good morning, everyone. The past few months have been volatile for real estate capital markets. The 85-basis point increase in the 10-year Treasury rate during Q3 put downward pressure on transaction volumes. As long-term rates increased, many borrowers moved down the yield curve and accessed shorter-term, often floating-rate debt rather than long-term fixed-rate debt. As a result, our brokered debt originations were up 58% from Q3 2025, while our GSE and HUD originations were down 55% and 29%, respectively. As typically happens when rates move significantly, investment sales volumes slowed and were down 25%. Net total debt origination volumes were off 5% on the quarter, and total transaction volume was down 11%. generating top-line revenue of $298 million, down 12% from Q3 2025. While top-line revenues

remained healthy despite the pullback in the market and reduced GSE borrowing activity due to interest rate movements, we made an important decision during the quarter to accelerate the liquidation of the real estate and notes held by Walker and Dunlop related to loan repurchases stemming from Freddie Mac and Fannie Mae's fraud investigations. That decision required us to re-mark these assets to their estimated realizable values, resulting in a more significant write-down and a significant charge to GAAP earnings, resulting in a loss on the quarter of $1.15. I want to walk through very clearly what we have done, why we have done it, and why we believe this sets Walker and Dunlop up for renewed success going forward.

First, Freddie Mac closed out all loan-level reviews connected to their fraud investigation at the end of Q2, and Fannie Mae has now finalized their investigation as well. This means we do not expect further loan buybacks or loan losses related to the fraud investigations by either agency going forward. After months of investigations and loan-level analysis across our portfolio, it is extremely reassuring to know that both investigations are complete, yet we are still managing the real estate and notes that we repurchased over the past two years. Those assets have required significant ongoing investment and quarterly marks that were going to impact earnings potential for many quarters to come. So we made the decision in Q3 to immediately sell our repurchased notes and foreclosed assets and adjust our carrying values to reflect that decision. Removing these loans and assets from our balance sheet at this time is costly. It is the right thing to do to get our company and our earnings trajectory back on track. The charges in operating costs associated with the write-down and sale of the repurchased loans is reflected in our GAAP EPS loss. Yet adjusted core EPS of $0.92 a share and adjusted EBITDA of $61 million show the underlying strength of our business model. We expect the majority of these assets to be sold by year-end. While there may be small gains or losses as we complete these sales, we expect any variances to be modest relative to the charges recognized this quarter.

I want to reiterate the GSEs' investigations are complete. We do not expect any further repurchase requests or loan buybacks related to the GSE investigations. We have marked down all of the notes

and assets we have repurchased in anticipation of their sale, and we expect the majority of the sales to be completed in Q4 and the remaining completed early in 2027. And with that, this painful chapter for our company and investors will be over. As we put this chapter behind us and focus ahead, we have taken significant action to reduce operating costs, restructure our operations, technology, and go-to-market strategy and focus in on the opportunity ahead. We implemented cost-saving measures at the beginning of Q4 that included a reduction in workforce and negotiated retirements. We have invested heavily in technology to allow our people and company to work more efficiently. And we are looking at several businesses to either reposition, wind down or sell that have weighed on our earnings growth. Taken together, these actions will improve our net operating income by approximately $20 million per year, and we expect all of these actions to be completed by Q2 2027. Turning to the markets, we see a tremendous opportunity for Walker and Dunlop as property owners face an enormous wave of commercial real estate debt maturities and decide whether to refinance, sell or recapitalize their assets. We have the team, market intelligence, brand and execution capabilities to serve our clients across each of these executions.

And while our GSE volumes were down in Q3, our combined GSE market share has grown by nearly 290 basis points year-to-date to 13.7%, underscoring the strength of our platform and partnerships with the GSEs. As I mentioned at the beginning of my comments, we see continued growth in debt brokerage volumes as debt capital remains abundant and competitive. There will also be a significant need for equity capital in the form of preferred equity or joint venture equity to help fill gaps in properties' capital structures due to higher rates and lower property values in many refinancings. The GSEs have the cheapest cost of capital in commercial real estate, have a mandate to be in the market at all times, and will continue to be the dominant providers of debt capital to the US multifamily industry for many years, and likely decades to come. I am very pleased and excited with the significant restructuring and realignment of our senior management team around operational excellence, technological implementation and a new go-to-market strategy that combines all the service offerings of Walker and Dunlop. I would like to turn the call over to Greg to take you through our Q3 results. The financial impacts of the actions we have taken to put the

past behind us and set us up for success going forward. And then I'll come back to the market opportunity and how we intend to capture it. Greg.

Greg Florkowski: Thank you, Willy, and good morning, everyone. As Willy mentioned, our third quarter reported diluted loss per share of $1.15 reflects the charges associated with our decision to accelerate the exit of legacy loan repurchases. Our adjusted core earnings per share of $0.92, and our adjusted EBITDA of $61 million provide better insight into our core performance. But these results do not tell the full story. I want to focus my remarks this morning on the decisive actions we are taking to sharpen our strategy, strengthen our operating model and position Walker and Dunlop to deliver stronger financial performance going forward. I will start with loan repurchases. On our last call, we told investors we were modifying loss-sharing on a pool of assets with Fannie Mae in lieu of repurchasing them. Our results this quarter include an $8 million charge to finalize that negotiation, below the $12 million to $16 million range we shared. But our results also include $7 million of ongoing costs to hold and operate the real estate associated with the legacy repurchase loans. These ongoing costs are significant, and when combined with the shifting market fundamentals and ongoing mark-to-market of the underlying assets, drove us to take deliberate and immediate action to sell our remaining exposure. We reported an additional $49 million of valuation adjustments to reflect our advisors' best estimates of sales proceeds under that accelerated plan. This adjustment drove our results below where we were expecting coming into the quarter, and we recognized the magnitude of that impact.

But continuing to carry these assets, absorb ongoing operating costs and remain exposed to further valuation declines is a less attractive economic outcome. We have therefore chosen to accelerate the resolution. Approximately one-third of the carrying value of the assets is currently under LOI, and we launched the marketing process for the remaining two-thirds of the portfolio this week. We expect the majority of these assets to be sold by the end of the year. During the quarter, interest rates shifted materially higher, which weighed on transaction activity, particularly toward the end of the quarter. Third-party capital remains abundant and competitively priced despite higher absolute

rates, which is making it particularly challenging for GSE capital to compete right now. And their volumes are down 30% on the quarter. At the same time, we continue to hold our year-over-year market share gain with the GSEs, and we have consistently delivered significant growth in debt brokerage activity, which is up nearly 60% on a year-to-date basis, reflecting the strength of our core business during a challenging macro environment. That brokerage growth is important, but it has delivered different economics throughout the year relative to agency origination volume. The shift toward a higher proportion of broker transactions reduces our blended origination fee rate and increases our personnel expense as a percentage of revenue as the absolute level of non-cash MSR income trends lower. Despite slower capital markets activity this quarter, our servicing and asset management segment continues to benefit from a growing servicing portfolio, ending the quarter at $147 billion.

Approximately 40% of our year-to-date revenue came from the resilient cash flows generated by our servicing portfolio, reinforcing the stability of our business and the strength of our platform. These cash flows are particularly valuable during periods of market volatility, providing stability and growth as we add new loans. We have been operating with the expectation that interest rates remain higher, and that third-party capital remains competitively advantaged relative to the GSEs in the near term. We are focused on ensuring that we convert the shifting mix of transaction activity into the strongest possible financial returns, with a particular focus on our adjusted core EPS and adjusted EBITDA. We have taken a hard look at the operating and capital structure of the company to ensure that our financial performance better reflects the strength of our market position and our strategic priorities. As Willy mentioned, we are focused on simplifying our management structure, improving operating margins and prioritizing capital allocation toward the investments where we believe we can generate the most attractive returns. Over the upcoming quarters, you'll hear more from us on the progress of this work, but we've already taken action. During the fourth quarter, we initiated actions that will reduce our headcount and improve net operating income by $20 million over the next 12 months.

We will recognize a charge of $3 million to $4 million during the fourth quarter associated with the actions already taken. So there will be little net benefit in Q4, but we expect to realize the full benefit of our actions by the second half of 2027. We operate a core business that generates significant recurring cash flow and requires limited reinvestment in the business to generate that cash flow. That capital light model has been under pressure as we manage through the effects of loan repurchases the last several years, yet we maintained a strong cash position, ending the quarter with $183 million on hand. And when combined with our $150 million working capital line, we have substantial balance sheet flexibility to resolve loan repurchase commitments in the coming quarters while continuing to return capital to shareholders. Our adjusted EBITDA and cash generation has remained stable, providing strong coverage for our dividend. As a result, yesterday, our board of directors approved our quarterly dividend of $0.68 per share. Turning now to the credit performance of our servicing portfolio, which is separate and distinct from the fraud-related losses associated with the GSE investigations. Within our $74 billion Fannie Mae at risk servicing portfolio, our overall credit quality is excellent. There are only 18 loans in default and our default rate is 36 basis points. And we believe we've adequately reserved for our potential losses on all loans currently in default. While we don't typically share our delinquency rate, investors have asked about delinquency trends within our portfolio.

At quarter end, we have no loans 60 or more days delinquent in our Fannie Mae loan portfolio that are not already included in our defaulted loan population. A further reflection of the overall credit quality of our portfolio. In short, our at-risk portfolio has a long track record of strong credit performance and low loss rates, and we remain confident in the credit quality and trends we continue to see within that portfolio. As we look ahead, interest rates remain volatile. And while the 10-year Treasury has been on a declining trend over the past month, and our agency pipelines have improved, the absolute level of transaction activity remains difficult to predict. Based on what we are seeing, we expect to finish the year with GAAP diluted earnings per share ranging from -$0.10 to earnings of $0.30, and adjusted EBITDA to finish the year between $260 million and $280 million. We expect full year adjusted core EPS to range from $4 to $4.50 per share, implying fourth

quarter adjusted core EPS of $0.90 to $1.40. Our fourth quarter expectations incorporate the impact of the two-class EPS calculation method, and an assumed effective tax rate in the low to mid-teens. Our revised ranges primarily reflect the uncertainty of overall transaction levels. Our midpoint includes a pickup in debt originations off of Q3 levels, driven largely by improvements in GSE lending activity in the fourth quarter and continued strength of brokerage originations despite the challenging capital markets environment.

A significant pickup or further declines in agency originations compared to where we are today, would be the main driver to the high or low end of our guidance ranges. On the expense side, while there is no expense savings assumed in the fourth quarter related to the actions we have taken to date, our financial performance will begin to reflect those savings next year, and we plan to provide more detail on our year-end call. Finally, while our guidance includes an estimate of $6 million of operating costs, we expect that expense will go to zero by early next year. Importantly, our ranges exclude the impact of resolving the legacy repurchase assets should any further valuation adjustments be necessary as we finalize selling prices. While we have more work to do, the actions I just outlined accelerating resolution of legacy loan repurchases, eliminating the associated operational drag, and aligning our cost structure with the current macro environment are important. These are the right actions for us to take at this time, and I firmly believe they will collectively position us to deliver stronger and more consistent adjusted EBITDA and adjusted core EPS. When you combine these actions with an improving transaction market, we see an even more significant opportunity to drive growth and shareholder value. I'll now turn the call back over to Willy.

Willy Walker: Thank you, Greg. Let me spend a few minutes on the opportunity ahead. There is no doubt that higher interest rates present significant challenges for the commercial real estate industry. Yet there is a tremendous amount of transaction activity that must happen over the next four years that presents an extraordinary opportunity for Walker and Dunlop. Let's start with fundamentals as they drive both transaction volumes and the health of our credit portfolio. The nearly 600,000 apartment units delivered in 2024 put tremendous pressure on occupancy and rents over the past two years.

But as that supply is absorbed, operating fundamentals are improving. Multifamily starts are now 55% below their 2022 peak, positioning the industry for a healthier supply-demand balance over the coming years. We're also seeing encouraging signs in rents and occupancy. Through September, year-to-date rent growth reached 2.8% nationally ahead of the comparable period in the last three years. And Zelman's latest apartment operator survey showed its first year-over-year increase in occupancy since March 2022. These are encouraging signs that apartment fundamentals are headed in the right direction. The recovery will not be uniform, however, as some markets were wildly overbuilt and will remain under pressure. And regardless of operating fundamentals, given commercial real estate's reliance on asset-backed financing, elevated interest rates make almost every capital structure challenged to some degree. But here's the opportunity for Walker and Dunlop. With hundreds of billions of dollars of commercial real estate debt maturing over the next four years, our clients, existing and future, will need our services to refinance their assets, sell their assets or recapitalize their assets.

There is over $1.2 trillion of commercial real estate debt maturing between now and the end of 2028, including $525 billion of multifamily debt. That is an enormous, tangible addressable market for a company that is targeting $60-80 billion in annual transaction volume that happens to be the second largest GSE lender and sixth largest multifamily lender in the United States. Do we have the debt financing professionals to expand our volumes and move up in the league tables? 100%. Do we have third-party capital in Walker & Dunlop Investment Partners to fill gaps in our clients' capital structures if the first-trust mortgage doesn't size? 100%. Do we have the sixth-largest multifamily investment sales platform in the country to sell assets for clients who either decide not to refinance or can't? 100%. The opportunity sits right in front of us. It is up to our talented and focused team to go get it. Of the $525 billion of multifamily debt maturing through 2028, $320 billion or 61% is non-agency debt. Our debt capital markets team grew originations by 58% this quarter, positioning us to capture a meaningful share of these refinancing opportunities and bring more borrowers into agency financing and the opportunity to continue to grow. As this slide shows, agency maturities increase from $139 billion in 2027 and '28 combined to $296 billion in 2029 and

2030, creating significant opportunities to refinance loans in our servicing portfolio and win new business from our competitors. We have exceptional client relationships that have been built over decades.

We have data on markets, properties, and clients that only our large-scale competitors have, and we are investing in AI and using its capabilities to create an increasingly connected, intelligent and efficient platform to meet our clients' needs while growing our top and bottom lines. We are only a company of 1,450 people going head-to-head every day, with firms with tens of thousands and hundreds of thousands of employees. We have the very real opportunity, the requirement, to embrace technology, integrate it into our company and expand our market share in both our existing markets and new markets. While the competition manages through human capital displacement and adoption. This is the opportunity we see. And with the management team realignment I outlined earlier in this call and the cost-savings we are currently implementing, our team has both the strategic outlook and operating tactics to sprint after this opportunity. One of the most exciting pieces about AI is that we don't need to spend a lot to grow a lot. We have the clients, we have the brand, we have the professionals. So as we integrate technology into our platform to make our bankers and brokers more insightful and our operations more efficient, we can rapidly scale. This is super exciting for someone who has built this platform brick by brick, banker by banker, and investment after investment. When I started at Walker and Dunlop, we didn't have the brand, clients or capital to grow. We figured out how to do it all.

Now we have the brand, clients and capital to continue growing with the incredible enabling power of AI. That is the opportunity and the threat. We are very focused on making it an incredible opportunity for our clients, for us and for our investors. I want to end this call summarizing what we have gone through, where we sit today and where we are headed. The past two years have been exceptionally hard. As the reputation of this firm that carries my family's name on the wall has been challenged. We have endured the gauntlet and come out a better company, better systems, better controls, and a tighter team. We moved this quarter to put the financial cost of the past two years

fully behind us. And while expensive, that feels good. And we look ahead, ready to return to the Walker and Dunlop of old with incredible clients, market presence and a team that has always been the little engine that could. I'm deeply thankful to all of my Walker and Dunlop teammates who have worked to manage through the challenges of the past two years while continuing to process business and gain market share in critical markets. And I am thankful to all of our investors who have stuck with us during these challenging times. Your trust and faith in our team and company cannot be thanked adequately, and you can be assured that I and the team are laser focused on rewarding that confidence and patience. Thank you for joining us this morning. Karen, let's open the line for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, you may press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal. We'll take our first question from Jade Rahmani with KBW.

Jade Rahmani: Thank you very much. Definitely a lot of information you've gone through, and I do appreciate some of the strategic clarity that you've provided in your commentary. Just big picture thinking about the maturity wall, 2026 also has had a large maturity schedule. And so the question is, are you seeing evidence of WD's ability to convert these maturities into originations and servicing? If there's been some disappointment there, what have been the impediments and how do you expect to translate this volume into agency production next year?

Willy Walker: Jade, good morning. Thanks for joining us. So there is no doubt that with the increase in our agency market share this year, that the strength of the WD platform and our partnerships with the agencies are extremely strong. As I mentioned at the top of my comments, particularly towards the end of Q3, as rates moved dramatically as you know, the product, if you will, or the structure that the agencies are both known for and have traditionally sold is long-term fixed-rate financing. Both

of them do floating-rate loans, but they've both been predominantly fixed-rate lenders and typically five, seven or 10-year duration. As rates moved up dramatically, the yield curve steepened and shorter-term floating-rate debt was the debt that allowed borrowers to refinance their assets in some instances, with new capital coming in in the equity position and others, they were able to do an either neutral or cash out refinancing with that shorter duration structure. It is our expectation that that capital on the short end floating-rate remains and is very competitive in the market. With that said, as we've seen rates rally over the last month and the 10-year drop down from 5.35 down into the high fours, we have seen borrowers say this might be my opportunity to go long. And it really depends on the value of the asset, how much value degradation there has been, and then an LTV calculation that says on a long-term fixed-rate, at the current cost of capital, you can put long-term debt on, or the only alternative is shorter-term floating-rate debt.

It's that, if you will, pricing that allows us, given the breadth of the platform, to sit there and say, this is the best capital solution for the client, and we're going to try and meet their needs. The thing that I think is important to keep in mind is that the agencies have caps. The agencies are very focused on meeting their caps. And while the end of Q3 was challenging for them, and I will be surprised if Fannie Mae gets to their annual cap, I think Freddie Mac is quite focused on and has a good chance of hitting their cap in 2026. They both will start 2027 figuring out how to compete and how to deploy capital. As one of their very largest partners, they will be there with us. But during times of significant market movements like we saw in Q3, their capital is just hard to price and hard to deploy. And that's why our volumes, as well as their volumes were down on the quarter. But I don't think you can make assumptions as it relates to them being out of the market in 2027. And as Greg mentioned in his comments, our Q4 agency origination volumes and pipeline look good.

Jade Rahmani: That's good to hear. You noted actions on some workforce reduction as well as businesses you're looking to restructure, divest, reposition in some way. So the question is excluding any one-time costs associated with such actions. Are you expecting EBITDA growth for next year? There are some items working in W&D's favor which would be higher rates to bolster escrow earnings.

There was also positive net warehouse income this year and then the servicing portfolio grew 5%. So transaction volumes could also be a headwind. But just wanted to get your thoughts on that.

Greg Florkowski: So I think first, obviously, we gave the expectation that the actions that we've already initiated are going to give us about $20 million of operating income lift. Which will be realized a run rate basis by the middle of next year. There's also some other things that are underway that that I think we've, we want to wait until our year-end call, you know, early February to give some real guidance on 2027 because we'll have a better view and we'll have crystallized a couple other things that we're working on. So I think at this point, a little premature for us to give you full guidance on 2027, but feel good that we've at least made some initial improvements to the bottom line. And there's some other things that we're very focused on trying to accomplish here in the near term. And as we get to the end of the year, we'll give you some updates on the work that's underway and give some clarity on 2027.

Jade Rahmani: Okay. Thanks very much.

Operator: We'll take our next question from Chris Muller with Citizens Capital Markets.

Chris Muller: Hey, guys, thanks for taking the questions. And I applaud the decision to rip the Band-Aid on the repurchase loans to fully put this behind you guys. I assume the valuation adjustment was driven by the move to held for sale, but I guess how much of that adjustment was due to interest rates spiking in the quarter? And could some of that be recovered given what the 10-year has done in recent weeks, or does that more reflect valuations for an accelerated sales process?

Willy Walker: It reflects valuations. Yeah. Go ahead, Greg.

Greg Florkowski: Yeah, Chris. There's absolutely some of it that is driven by interest rates across the portfolio. Obviously as you're selling assets and loans backed by assets, the change in interest

rates, certainly towards the end of the third quarter had some impact on the value. You know, there are just some pricing adjustments that happen marketwide and we're in the distressed side of the market. So those impacts are a little bit more acute. And look, to answer your question on recovery, I think at this point, we've got, as I said, about a third of our portfolio is under LOI. The remaining two-thirds is out to market this week. So we don't have a lot of price discovery yet on that two-thirds. But feel good about where the marks are on the other third. So you know, that, that tells you that there's $50-ish million of carrying value that's currently under price discovery. And to the extent, there's marks up or down. We will clearly share those when we get to the end of the year as we execute or get closer to execution. But I think it's a little early to tell whether there's upside or, but that at least gives you the magnitude of where that potential would be because the one-third that's under LOI is unlikely to get adjusted at this point.

Chris Muller: Got it.

Willy Walker: Hey, Chris. Sorry. I just want to jump in behind Greg on that. I just it's important to underscore the fact that the previous strategy was to hold these notes, work these assets, and recover the value. We made the very discrete decision that that strategy was going to drag on our earnings for a period of time that we were not willing to carry, and we moved to move these immediately. We are selling these into a market right now that is in recovery. Had we wanted to hold these, there is more value to them in the future. We marked them down, we took the cost and we are moving forward. That is a very discrete decision. So Greg just gave you a lot about rate movements and things of that nature. It should be very clear. We mark these down to move them, taking that cost into account to clear and move forward period. Your question was very good. I want to be very clear on that. It is pricing that had us pull down these values to clear them and move forward.

Chris Muller: Got it. That makes a lot of sense. And I guess if rate volatility settles into 2027 and activity picks back up combined with upcoming maturities, where do you guys think origination fees and

MSR rates go? And maybe there's too many inputs for a clear answer there, but maybe just directionally, could there be some upside to margins into 2027?

Willy Walker: I think a lot of that, Chris, depends on a number of things. The first is that for the agencies to be competitive in the market, they are going to need to be able to compete with shorter duration floating-rate debt. But there are plenty of borrowers who do not want to float at this time in the cycle. Floating into the wall of maturities that mature in '29 and '30 is -- any one of our clients will tell you. That's not something that they really want to do. In some instances, they're forced to do it. But there is going to be additional pressure on those deals if you take a floating-rate instrument for the next three years to refinance that out, when there is a huge wave of refinancings coming up in 2030. So many of our clients are trying to get beyond that. And when they can, they're picking that. We're seeing that now that rates have come back down to the high fours as it relates to the base rate. And the rate rally that has happened over the past month. I think the other piece to it, Chris, is that the clock has sort of run out. We've had a number of years where loans that came to maturity were given an extension for a year or two, and people had the ability to sit there and work with a capital provider to say, hey, give me another year, give me another two years.

And that was in the documents. Now, most of that debt, when it says it is maturing, it is maturing, which is requiring a capital solution. And what we're seeing in that also is that some clients are saying, I'll take the higher cost of preferred equity to close the gap in my capital stack and move out beyond the 2030 maturity wall, rather than going with short-term floating-rate debt. And so that market dynamic has a lot to do with how much agency debt we put on in 2027, how much broker debt we put on in 2027, as well as how much of equity capital in the form of preferred equity or JV equity we're able to deploy, but we're very focused on that. And I would go back to what I said previously to Jade, which is that the agencies are very focused on getting to their caps, and that means they're going to have to work with us as well as their other partners, to create capital solutions that work for our borrowers.

And in a market that has a lot of asset values down significantly from when people bought the asset, and rates up significantly from where the original coupon rate was, that means that we've got to get creative on the way that we refinance those assets, and that will cause some people to be able to get them refinanced. Other people to say, I need a whole recapitalization of this asset and other people to say, you know what? I'm not going to refi it. I'm just going to sell it. And the final thing I would say on that is, as I pointed out in my prepared remarks on investment sales, because of the rate movement we saw at the end of Q3, investment sales volumes were down, it typically takes somewhere between 60-90 days for investment sales volumes to reconstitute themselves after a significant rate movement. I would think, because we are in Q4, that time period shrinks a little bit, but there is a tremendous amount, tremendous amount of assets that need to be sold for owners to recycle capital back to their LPs. A tremendous amount. And so the moment we get some stability in the market, I would expect volumes there to step up quite nicely.

Chris Muller: Got it. That's very, very helpful context. I appreciate all that. And thanks for taking the questions this morning.

Willy Walker: Thank you.

Operator: As a reminder, if you would like to ask a question, you may press star one on your telephone keypad now. That's star one to join the queue. For our next question, we'll return to Jade Rahmani with KBW.

Jade Rahmani: Thank you very much. Investors have been concerned about the credit outlook, and I think that your commentary around the delinquencies in the Fannie Mae portfolio were assuring. Also, the comment about I think 1% of the portfolio has below 1.0x debt service coverage is comforting as well. How are you feeling about the credit outlook? The defaulted percentage rate did tick up modestly. And do you anticipate significant challenges in terms of credit performance in the Fannie Mae risk sharing portfolio next year?

Willy Walker: Jade, a couple things on that. First of all, as Greg underscored in his comments, we must delineate with investors what we have dealt with on the fraud investigation and the buybacks and normal credit. Obviously, the impact to our financial results due to the fraud investigations and buybacks that we have had to execute on and now sell, have had a huge impact on our financial results. That investigation is now done. We do not expect further buybacks, and therefore, that type of impact to our P&L should not recur again. Can we say it will never happen again? I can't. But was that unique and was that an isolated incident? Yes. So then you focus on the core portfolio. And as Greg underscored, the core portfolio, which Walker and Dunlop has had a reputation in the market for decades as far as having very, very good underwriting and very, very good credit, still performs extremely well. In my response to Chris's question as it relates to Refinancings, because asset values are down and because rates are up, most refinancings are challenged to some degree. You're looking at refinancing out a $60 million loan on an asset that was purchased for $100 million back in 2019. Now all of a sudden, the value of the asset is $80 million.

And you're looking at putting a $50 million first-trust mortgage on it to take out a $60 million first-trust mortgage. That's tricky. And many, many, many borrowers are facing those types of economics. So it's up to us to A) figure out whether there's some type of first trust that can take out the $60 million loan that I just referenced, or B) is there some type of preferred equity or JV equity that can come in to fill that $10 million gap between the $60 million existing debt and the $50 million below it? At the end of the day, even on that asset, there is still equity value in the asset. So it is our assumption that the borrower is going to figure out how to either put cash into it to get rid of the $60 million of debt and put 50 million on, or bring in preferred equity or JV equity to keep the asset. If they don't want to do that, they will likely sell it. And there is still equity value in it. And we have an investment sales team that will come in and do that for them. And then in the unfortunate eventuality that they say, you know what, it's just not worth it for us to continue to do it, then that is a defaulted loan.

But that goes through our normal loss-sharing process. And as you very well know, the difference between the losses we've incurred on our buybacks versus the losses we incur on a normal defaulted loans are orders of magnitude. As Greg just underscored, the health of the underlying portfolio is extremely strong. Do we think there will be normal loss-sharing losses in 2027? Yes. Will we have adequate reserves and are we building our reserves to meet those potential losses? Yes. And so it is a challenging market given where asset values have gone and where interest rates have gone. And at the same time, the operating fundamentals are improving. That will help the sales market, that will help the financing market. And any type of stability in rates will allow for capital to meet that market need and be able to size appropriately. Greg, I don't know if you have anything else you want to say on the servicing portfolio and the credit side of things, but I think that's a very important piece to it, Jade, as it relates to the overall market dynamics as we head into 2027.

Greg Florkowski: Yeah. Look, I'll just add just from my perspective, Jade, I've appreciated the conversations we've had over the last three or four quarters about credit and what folks you're talking to are seeing and hearing and asking about and trying to respond to that both with, hey, here's a good look at our 60-plus-day delinquencies. Beyond the defaulted loans. I think the statistic you referenced, the combination of a deal being below one times and underwritten at 75% LTV is sort of in the framework that Willy just described of that that deal was underwritten at a point in time where values have now probably adjusted and just trying to give you all a picture of, hey, where is the risk in the portfolio as we see it? So hopefully that came through. And I think as Willy said, we're focused on assessing that risk and ensuring that as we monitor market conditions, we're properly reserved both on CECL reserve, general reserve perspective as well as when deals go into default. We assess them from a collateral perspective, and we'll modify those and resolve them over time with Fannie Mae. But overall, continue to feel very good about where the portfolio sits. Looking at the trends, we're well positioned, but obviously monitoring and going to need to pay attention to market fundamentals.

Jade Rahmani: Thank you very much.

Operator: We'll take our next question from Kyle Joseph with Stephens.

Kyle Joseph: Hey. Good morning, Willy and Greg. Thanks for taking my questions. I just want to dive in a little bit deeper in terms of the $20 million of NOI improvement. How much of that do you think is from revs vs. expenses? And I mean, at least just reading the press release, it really sounds like kind of the strategy is almost getting back to the basics and really just focusing on multifamily. But any more specifics you can give us there?

Greg Florkowski: Yeah, the majority of that Kyle, and good morning. Thanks for jumping on the phone early where you are. The majority of that's personnel and a little bit of operating costs across the board that there's not a material revenue impact associated with those actions. A lot of it's around streamlining our organization, different bands of leadership and really trying to organize around the opportunity and reducing some of the operating costs that are duplicative as we think about different businesses that go-to-market. I think that that is largely expense driven. As we said, there's other things that we're considering and looking at and making sure that things that we're invested in remain core to the strategy. Those would potentially have some revenue impacts, but too early for us to say anything about those at this point. What we did speak to is specific to the cost structure of the business not the revenue structure.

Willy Walker: Kyle, let me jump in on your point about the shift in the focused strategy. You're picking up on something that's extremely important. You attended our investor day in the spring where we talked about the journey to 30, where we talked about becoming the premier commercial real estate capital markets platform in the world. Expanding our real estate capital markets presence into new asset classes, if you will, moving out of a big focus on multi into other commercial real estate asset classes. You are reading exactly right into our prepared remarks, which is that the focus is back to multi. That does not mean that we're abandoning all the great work that we're doing in other asset

classes, including hospitality and industrial and data centers and office and all of that. But there is such a huge opportunity in the multifamily space given $1 trillion of loans maturing in the next four years. That for us, with our platform and reputation in the multifamily space and our ranking as the sixth largest provider of capital to multifamily industry and the second largest lender in the country. For us not to focus on that is a huge, missed opportunity. We have pivoted and we are laser-focused on that asset class, that opportunity.

And there is not a single banker or broker at Walker and Dunlop who doesn't show up in a client's office and have an incredible reputation and brand behind them as being one of the very largest and best providers of capital solutions to that asset class. And as a result of that, given our visibility into the opportunities, we know exactly where all of those refinancing opportunities sit. We have client relationships with the majority of those clients, and we have the capital solutions to meet their needs. This doubling down on multi, we're calling it the sprint to '28. It is a two-year sprint where we are going to focus in on multifamily. And we are going to go and gain market share in that vertical. As Greg and I both talked about, we have shifted our operating strategy. We have made changes to our senior management team. We have restructured our entire go-to-market strategy. And with the visibility into the opportunity, the teams that we have built and the client relationships and brand that we have, we see the opportunity there for us to go and gain share and really drive this platform forward over the next 24 to 36 months.

Kyle Joseph: Really helpful, Willy, and kind of a good segue to my follow-up is really just want to get a sense for how the competitive environment has shifted. Obviously, it's been a tough few years in the industry. We can track public peers as well. But in terms of private players and just, I imagine everyone's struggling, particularly those lacking the size and scale that you guys have.

Willy Walker: Well, a couple things on that. One is that I think scale does matter. I would put forth that with a tip of the hat to JLL and CBRE. Those two platforms, the scale that they have created has been wildly beneficial to them during the past several years while capital markets activity has been under

pressure. But we know that this is a cyclical industry and that we will cycle back out of this. It's one of the reasons that we underscored the fundamentals on the multifamily side this morning is that fundamentals are improving. I would also say that if you look at what we have been, if you will, processing with the agencies over the last two years. I cannot stress enough how important it is that the investigations are done and we are moving forward. But in the backdrop of the investigations for us to have gained market share with the agencies underscores the strength of our partnerships with Fannie Mae and Freddie Mac. And I would be remiss if I didn't say that every underwriter and asset manager at Walker and Dunlop, who has been processing new deal flow to allow us to gain share while we have been going through an investigation across our portfolio, has been Herculean work and has been extremely beneficial to Walker and Dunlop and to our go forward. The competitive landscape looking forward is one that I think presents a huge amount of opportunity for us because, as you said, we have the scale, we have the brand and we have the partnerships with capital sources to be one of the major players in '27, '28 and beyond.

Kyle Joseph: Great. Thanks very much for taking my questions.

Willy Walker: Thanks, Kyle.

Operator: Once again, if you would like to ask a question, you may press star one on your telephone keypad now. That's star one to ask a question. It appears there are no further questions at this time. I'd like to turn the conference back over to Willy Walker for any additional or closing remarks.

Willy Walker: Thank you, Taryn. Thank you, everyone for joining us this morning. Thank you, Greg and Amy and Jennifer, all the work on the quarter and everybody else who has so much input to everything that we do. I wish everyone a great day and thanks for joining us.

Operator: This concludes today's call. Thank you again for your participation. You may now disconnect and have a great day.