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Stepped-Up Pace

Willy Walker Gives His Venerable Family Firm a National Platform

By Paul Rosta

When Willy Walker wants a change of pace from the daily marathon of running his multi-family finance firm, Walker & Dunlop, he often recharges his batteries by participating in a different sort of race. Walker's event of choice is the triathlon, the grueling event that tests athletes' skills in running, cycling and swimming. Last Sept. 13, he attained a new personal best as a contestant in the Nation's Triathlon, an annual event capped by a 10-kilometer run past the memorials and monuments of Washington, D.C. Walker's time was two hours and 11 minutes—"pretty quick for a 42 year old," he noted. He has run marathons, too—in 1995, he finished Boston's formidable course in a speedy 2:36.

Walker brings his zest for competition to his role as president & CEO of the firm co-founded in 1937 by his grandfather Oliver Walker and Laird Dunlop. "I want to make sure that Walker & Dunlop is a dramatically different firm (when I leave) than it was before I came," he explained. "I didn't come back to the family company to just kick back and sit around for a while." Walker has rarely stopped moving since succeeding his father, Mallory, as president & CEO in 2003. In the past several years, he has steered the company through a devastating economic downturn, nurtured a nascent fund management business and vastly increased the company's scale through a major merger.

Walker likes to compare his company to a small-college team that takes on the big schools. He points to the \$2.3 billion worth of Fannie Mae loans the company originated in

2009—a performance that should rank it among the top five Fannie Mae lenders in the country. At that level, Walker & Dunlop competes in its specialized market with such giants as Wells Fargo & Co. and PNC Financial Services Group Inc. "We're playing with the big guys," Walker noted. "I'm thrilled to be in that competitive set."

Walker cites other advantages to being medium size. Because the firm has no investment committee, decisions can be made quickly. And its status as a privately held, unregulated lender also provides more flexibility than its competitors among commercial banks can usually muster.

To his role as CEO, Walker brings the quality of being "a very broad, strategic thinker about a variety of issues," according to Phil Weber, executive vice president for Austin-



A Road Less Traveled

Willy Walker represents the third generation of his family to head the firm co-founded in 1937 by his grandfather Oliver, yet he took an intriguingly indirect path to his current position as Walker & Dunlop's president & CEO. He did not make a lifetime commitment to the family firm after he earned his bachelor's degree from St. Lawrence University in 1989, nor even when he earned his M.B.A. from Harvard University six years later. Instead, Walker pursued a strikingly eclectic career marked by culturally broadening experiences.

With experience working for some non-profit organizations in Paraguay prior to business school, after Harvard, Walker served as the general manager of ALTA, a regional airline based in Argentina. His next stop was Newbridge Latin America L.P., an affiliate of the giant private equity firm TPG Inc. There he worked on transactions in the aviation, water and apparel industries. Then Walker held several senior positions at business process outsourcing firm TeleTech Holdings Inc., including president of Latin American and European operations.

Besides honing his skills in strategy and his management and corporate finance abilities, the experiences gave Walker a global outlook. "He thinks nothing of getting on a plane and flying to Brazil for a one-day meeting," noted Phil Weber, executive vice president for Austin-based Forestar Group Inc., who worked with Walker while serving as senior vice president for multi-family at Fannie Mae.

More than a decade into a successful cosmopolitan career, Walker recalled, "I never, ever thought I'd come back to the family companies." But by 2003, Walker & Dunlop had reached a turning point. As Mallory Walker prepared to step down after 29 years as president & CEO, the time came to re-evaluate the company's direction and strategic relationships. What it needed was "a high-level executive who could focus on the strategic pieces that could be put in place to grow the company," recalled COO & executive vice president Howard Smith. "Willy took all those responsibilities and ran with them."

Even after Walker agreed to take the top job, the approaching transition could have raised awkward questions about the firm's chain of command. Walker's father, Mallory, had led the company for almost three decades and would keep his hand in as a member of the board of directors. How extensive would his role in the company remain?

With a single gracious and savvy gesture, the senior Walker quelled any doubts about who would be in charge. By the time Willy arrived for his first day of work on May 15, 2003, Mallory had completely moved out of the CEO's office and set up shop in a smaller one. "The message that that sent to everyone at the company was, 'It's already Willy's company; it's Willy's game,'" the younger Walker recalled. "My father played it very, very well."

based Forestar Group Inc. and Fannie Mae's former senior vice president for multi-family. High on his list of concerns is water, both as it relates to real estate and to larger policy issues. Walker has been putting his keen interest into practice since December 2008, when Washington, D.C., Mayor Adrian Fenty appointed him chairman of the District of Columbia Water and Sewer Authority, the agency that provides the nation's capital with drinking water and wastewater treatment services.

Family Legacies

Despite his family ties to the company, Willy Walker's arrival in the Walker & Dunlop executive suite was by no means pre-ordained. Rather than coming up through the ranks in real estate finance, as so many company leaders do, Walker first spent (nearly) 15 years building an international career as a senior executive in several other industries. And the presence of more than one high-profile professional in the family served as a reminder that there was more than one potential career path. While Walker's father was helming Walker & Dunlop, his mother, the

distinguished photojournalist Diana Walker, was pursuing a career that included covering five U.S. presidents for *Time*. For his part, the younger Walker “wants to build on both of their successes and their legacies,” Weber speculated.

For the past seven years, Walker has devoted his professional energy to building on the real estate side of the family legacy. First through its Green Park Financial L.P. affiliate and now under its own name, Walker & Dunlop has long ranked among the nation’s top lenders of Fannie Mae-insured loans. In 1988, Walker & Dunlop started Green Park as one of the original lenders authorized to originate, close and deliver loans under Fannie Mae’s Delegated Underwriting and Servicing program. Since then, Walker & Dunlop has leveraged its proximity to Washington, D.C., to establish strong ties and a good reputation with the government-sponsored mortgage insurer. “We have kids who go to school with kids of their executives,” Walker said.

Longtime associates say that Walker has also worked to enhance the company’s reputation for sound planning. “Every aspect of their business has been thought through from a strategic standpoint ahead of time and tested with strategic execution, time and time again,” said Heidi McKibben, head of Fannie Mae’s multi-family DUS platform, who has worked with Walker & Dunlop since 1997. “It is, without a doubt, one of the best-managed companies that I’ve seen.”

Last year, Fannie Mae presented the firm with awards for both best asset management and best management of at-risk assets out of all of its DUS lenders. And Walker & Dunlop’s recognition in both categories is especially noteworthy, McKibben said. “They weren’t just focused on origination,” she explained. “They excel across the spectrum of the business, from the time they originate the loan to the time it’s paid off.”

Good Timing

Walker & Dunlop has weathered the recession well on several fronts. While it is true that net operating income has fallen across the portfolio, with the exception of Washington, D.C., that has not yet translated into increased loan losses. That is expected to occur in 2010. Nevertheless, Walker contended, “we have thrived in this downturn.”

To some extent, the company has benefited from being in the right place at the right time. Its access to financing from Fannie Mae and, most recently, Freddie Mac and the U.S. Department of Housing and Urban Development has stood it in good stead. As a result, Walker & Dunlop has improved revenue by more than 50 percent year over year and both net income and EBITDA by more than 100 percent, Walker estimated. “As many of our competitors have stood still or gone backward, we’ve gone forward,” he said.

But while Walker has undertaken a number of initiatives to broaden

the company’s platform, by all accounts his most far-reaching move was the acquisition of a majority stake in Column Guaranteed L.L.C. from Credit Suisse, which retains a minority stake in its former mortgage lending arm. The transaction, which closed in January 2009, was a characteristic step for Walker. “I’ve done mergers and acquisitions my whole life,” he explained. “M&A is something I understand.”

The deal was a watershed event on several fronts. Bringing Column Guaranteed into the fold increased the value of Walker & Dunlop’s loan servicing portfolio from \$7 billion to \$12 billion. The company added 29 former Column employees, including Kieran Quinn, its former president. Quinn, a member of CPE’s advisory board, joined Walker & Dunlop as vice chairman and oversees several strategic initiatives. Walker & Dunlop then added another 37 new hires, expanding its ranks to 149 by the end of 2009.

Thus, a year of growth has enabled Walker & Dunlop to offset the attrition it sustained during the peak of the market a few years ago, when some employees were lured away by Wall Street firms and competitors. “We were successful at keeping many people,” Walker said, “but we lost our fair share.”

Perhaps most important, though, the purchase gave the company entree to two entirely new—and highly sought-after—business lines. At the time of the deal, Column was already licensed by Freddie Mac in Georgia, Louisiana, Mississippi and California. That track record quickly helped

Walker & Dunlop expand still further. Last year, Freddie Mac awarded the company licenses for Virginia, Washington, D.C., and Maryland. Meanwhile, Column also gave Walker & Dunlop access to loans backed by the U.S. Department of Housing and Urban Development. (See “*Making Tracks*” on page 22.)

The acquisition also dramatically expanded the firm’s geographic profile. Before the merger, Walker & Dunlop conducted business around the country through a network of correspondent firms, but its own operations were housed entirely at its headquarters in Bethesda. The Column merger provided the company with a truly national footprint that included offices in Atlanta; Baltimore; New Orleans; New York City; Plano, Texas; and Walnut Creek, Calif. It has since added offices in Chicago and San Juan Capistrano, Calif.

The deal also resulted in a subtle but noteworthy shift in identity: The Green Park Financial name, familiar to the Fannie Mae market for two decades, has been retired. In a bid for consistency, the services formerly offered by both Green Park Financial and Column Guaranteed are being provided under the Walker & Dunlop brand.

Fresh Air

As in all mergers, the Walker & Dunlop teams and their new colleagues from Column found it necessary to make some adjustments.

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“We each had to give a little in terms of the protocol,” noted Howard Smith, Walker & Dunlop’s COO & executive vice president, who oversees the firm’s day-to-day operations. “I’ve given the senior people (from Column) a lot of autonomy.”

Still, the principals of both Walker & Dunlop and Column insist that the merger has unfolded smoothly. Part of that undoubtedly stems from the similarities between the two firms, which offered compatible small-company cultures. And the flexibility of the Walker & Dunlop leadership won over even initially skeptical Column alumni like Vic Clark, who had served as managing director & co-head of national production. Having already lived through several ownership changes during his tenure, Clark approached the merger with minimal expectations. “I honestly thought it was going to be their way or the highway,” he recalled.

But, he said, the receptivity of Walker, Smith and other company leaders took him by surprise. “From the day I walked in the door, they were asking me, ‘How do you think we should do things?’ ” he said. “It’s been a breath of fresh air.”

Thus reassured, the Dallas-based Clark stayed on to lead Walker & Dunlop’s newly established central region and is charged with heading

the company’s expansion efforts throughout 16 states in the country’s midsection. Another Column alumnus, Michael Katz, teamed with Prudential Mortgage veteran Andy Aiello to open a new Chicago office last fall.

Now that the integration of Column and Walker & Dunlop is complete, Walker allowed, “I think it’s pretty fair to say that Walker & Dunlop will continue to be somewhat acquisitive.” Drawing in some measure on his experiences during the recession, though, he will avoid expanding into certain areas. In his view, the recession proved that building on what Walker & Dunlop does well is a sounder growth strategy than expanding in unfamiliar directions. Thus, he never pursued acquisitions that would have added leasing or property management. Nor did he push the firm into investment sales when that business was enjoying record prices and volume. “Thank God I didn’t pay a big check and give large guarantees to bring in a market group,” he said. “The fact that we’ve been purely focused on finance has been highly beneficial.”

Now, he plans to keep the company focused on finance, with most future acquisitions likely to involve scaling up its lending business. As the market improves, though, opportunities in one service business

Making Tracks

Since adding the pair of multi-family lending businesses that were at the heart of its acquisition of the controlling interest in Column Guaranteed L.L.C., Walker & Dunlop has made significant inroads into both of its new markets. The firm has \$1 billion in U.S. Department of Housing and Urban Development loans in its pipeline, estimated Willy Walker, president & CEO. That pace would likely place Walker & Dunlop among HUD’s top five originators this year.

Walker also projects that the firm will originate \$1 billion in Freddie Mac loans, a performance that could rank Walker & Dunlop among the government-sponsored mortgage company’s top 10 originators. Walker & Dunlop is attempting to build on its 2009 record, which included nearly \$500 million in financing and some of the largest Freddie Mac transactions of the year. At a time when large refinancings were scarce anywhere, last summer the company supplied a \$150.9 million loan for the Ritz Plaza, a 479-unit upscale rental property in Midtown Manhattan owned by Stonehenge Management L.L.C.

Besides logging a significant loan volume, Walker & Dunlop has also contributed to an innovative effort to streamline the loan approval process by HUD’s Federal Housing Administration. Last June, Walker & Dunlop closed the \$61 million financing of a 12-property nursing home portfolio in Arkansas. The transaction was the first portfolio to be financed by FHA under its new “Lean” approval process, which the agency adapted from the so-called “Lean” efficiency principles that were originally popularized by Toyota Corp. The FHA introduced the program in September 2008 to streamline the approval of loans for nursing homes and other facilities for the frail elderly.

“Prior to Lean, it was pretty difficult to handle any kind of purchase within the HUD world, just because sellers generally didn’t want to wait for a HUD closing,” explained Walker & Dunlop senior vice president & head of FHA financing Steve Ervin. “The whole point of the Lean process is that you don’t have to do anything twice.”

Much of the problem stemmed from the varying levels of expertise among the FHA’s

local offices, which produced inconsistent and unpredictable approval times. For multiple properties, a chronic sticking point was the Federal Housing Administration’s practice of submitting the operator’s credentials to each of its local offices that were underwriting the portfolio. Those redundant efforts threatened to compound the usual complexities of underwriting a portfolio—for example, addressing different risks and balancing out mortgages based on their anticipated performance, Ervin recalled.

To avoid an unnecessary logjam, Walker & Dunlop suggested that the FHA depart from its customary procedure for the Arkansas portfolio and conduct a two-layer review. Although the local offices still underwrote each property individually, the operator’s credentials underwent a single review that was deemed sufficient for the entire portfolio. As a result of the suggestion, HUD was able to process and close the application in only three months.

“That’s a dramatic difference from the way things were done (before),” Ervin noted.

might prompt a change of strategy. “Adding an investment sales capability would allow us to provide our client base with a broader offering of services,” he acknowledged, “and also allow W&D to lock up financing business.”


Of course, as the recession reminded Walker and so many other CEOs, even the best-laid plans are not foolproof. The company has had a couple of close calls within its core competencies. In 2007, it was in talks to sell to a Wall Street firm when the deal froze along with the real estate capital markets. Thus, Walker & Dunlop escaped the problems that would have come with ownership by a Wall Street giant during the financial crisis.

In yet another stroke of good fortune and good timing, the capital markets squeeze also put a halt to Walker’s idea of launching a conduit with American International Group Inc., which already had a 49 percent stake in Green Park Financial. Walker bought out that share in late 2006. In retrospect, Walker casts no aspersions on AIG, calling the partnership “a good thing” and adding that there are too many variables to conclude how partnering on a conduit during the maelstrom that followed would have affected Walker & Dunlop.

Balancing Act

Although the acquisition of Column Guaranteed so far appears to be a net plus, it is also raising questions about the future of the company’s culture. One intriguing issue is to what extent Walker & Dunlop can continue to maintain its small-company climate as it expands. Over the decades, it has been the kind of firm whose employees are on a first-name basis with their CEO. Another stock in trade is cultivation of home-grown talent. The company schools more Fannie Mae DUS originators and underwriters than any other firm in the industry, according to Fannie Mae’s McKibben, who added that many professionals describe their time at Walker & Dunlop as “the best training I could have had.”

Walker acknowledges that the company’s characteristic attention to mentoring will become an issue as it adds offices that are thousands of miles distant from Bethesda. “It is part of our culture to provide feedback, do comprehensive annual reviews and be on top of who is doing what inside our company,” Walker noted. “As we scale (up), that becomes increasingly challenging. Senior management simply can’t know everything that everyone is doing.” COO Smith suggests that one effective way to spread the Walker & Dunlop culture would



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be for originators and servicers who learn the ropes in Bethesda to convey company procedures and values as they move to new locations.

In the wake of the Column merger, Walker is moving to expand the company’s profile on other fronts. A particular target for the next several years is growing the company’s asset management business. Today, it manages a relatively modest \$110 million in assets, a total that Walker believes can reach upwards of \$1 billion in the not-too-distant future. Toward this end, he brought veteran real estate finance executive Paul Bernard on board in late 2008 to lead the firm’s principal investments group. One of Bernard’s major focuses for 2010 will be raising a \$300 million commingled debt fund that will primarily invest in first mortgage loans as well as bridge loans, interim loans and other secured debt. Pension funds and other institutional investors looking for stable yields are considered the most likely investors.

The new fund will be the third started during Walker’s tenure. Walker & Dunlop runs a five-year-old private equity fund on behalf of Fannie Mae that teams with local joint venture partners to invest in multi-family acquisitions, developments and redevelopments. So far the fund has invested approximately \$240 million. A closed-end commingled fund that invests in a variety of debt and equity started up in July 2007.

Directing Walker & Dunlop’s growth, chairing DC WASA and meeting many other commitments result in a full plate, but Walker is still making room for a few more items. “I’m aiming to do negative splits on my triathlon times for the rest of my career,” he said. In other words, he intends to record a better time in the second half of a race than in the first half. Taking that goal to its logical conclusion, he quipped, “means I’ll try to get faster as I get older.”

If Walker’s track record up to this point is any indication, pulling off such a feat would only be true to form.

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