

Walker & Dunlop, Inc.
Form 10-Q
May 02, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number: 001-35000

Walker & Dunlop, Inc.

(Exact name of registrant as specified in its charter)

Maryland 80-0629925
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)
7501 Wisconsin Avenue, Suite 1200E

Bethesda, Maryland 20814

(301) 215-5500

(Address of principal executive offices and registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 25, 2018, there were 31,030,419 total shares of common stock outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

Walker & Dunlop, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Cash and cash equivalents	\$ 193,695	\$ 191,218
Restricted cash	16,991	6,677
Pledged securities, at fair value	102,059	97,859
Loans held for sale, at fair value	787,552	951,829
Loans held for investment, net	59,886	66,510
Servicing fees and other receivables, net	30,829	41,693
Derivative assets	20,417	10,357
Mortgage servicing rights	631,031	634,756
Goodwill and other intangible assets	124,526	124,543
Other assets	84,291	82,985
Total assets	\$ 2,051,277	\$ 2,208,427
Liabilities		
Accounts payable and other liabilities	\$ 184,079	\$ 238,538
Performance deposits from borrowers	16,717	6,461
Derivative liabilities	7,455	1,850
Guaranty obligation, net of accumulated amortization	41,424	41,187
Allowance for risk-sharing obligations	3,058	3,783
Warehouse notes payable	802,496	937,769
Note payable	163,781	163,858
Total liabilities	\$ 1,219,010	\$ 1,393,446
Equity		
Preferred shares, authorized 50,000; none issued.	\$ —	\$ —
Common stock, \$0.01 par value. Authorized 200,000; issued and outstanding 30,148 shares at March 31, 2018 and 30,016 shares at December 31, 2017.	301	300
Additional paid-in capital	226,332	229,080
Accumulated other comprehensive income (loss) ("AOCI")	(34)	93
Retained earnings	600,257	579,943

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Total stockholders' equity	\$ 826,856	\$ 809,416
Noncontrolling interests	5,411	5,565
Total equity	\$ 832,267	\$ 814,981
Commitments and contingencies (NOTE 10)	—	—
Total liabilities and equity	\$ 2,051,277	\$ 2,208,427

See accompanying notes to condensed consolidated financial statements.

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Walker & Dunlop, Inc. and Subsidiaries

Condensed Consolidated Statements of Income and Comprehensive Income

(In thousands, except per share data)

(Unaudited)

	For the three months ended March 31,	
	2018	2017
Revenues		
Gains from mortgage banking activities	\$ 81,509	\$ 96,432
Servicing fees	48,040	41,525
Net warehouse interest income	1,857	6,620
Escrow earnings and other interest income	7,348	3,292
Other	8,698	10,643
Total revenues	\$ 147,452	\$ 158,512
Expenses		
Personnel	\$ 55,273	\$ 56,172
Amortization and depreciation	33,635	32,338
Provision (benefit) for credit losses	(477)	(132)
Interest expense on corporate debt	2,179	2,403
Other operating expenses	12,951	11,608
Total expenses	\$ 103,561	\$ 102,389
Income from operations	\$ 43,891	\$ 56,123
Income tax expense	7,184	13,063
Net income before noncontrolling interests	\$ 36,707	\$ 43,060
Less: net income (loss) from noncontrolling interests	(154)	