Walker&Dunlop

7501 Wisconsin Avenue
Suite 1200E
Bethesda, MD 20814-6531
www.walkerdunlop.com
301/215-5500
Direct Number
301-215-5533

October 16, 2013

Federal Housing Finance Agency
OHRP Multifamily Housing Policy
400 7th Street, S.W., Room 9-261
Washington, DC 20024

Ladies and Gentlemen:

I am writing in regards to the Federal Housing Finance Agency's (FHFA's) proposed strategies regarding Fannie Mae and Freddie Mac's presence in the multifamily housing finance market.

Walker & Dunlop is a publicly traded (NYSE: WD) commercial real estate finance company, and one of the largest Fannie Mae DUS® and Freddie Mac Program Plus® Seller/Servicers. In 1988, we received the third Fannie Mae DUS license issued, and we have a long-standing relationship with both Agencies' multifamily divisions. We have grown from a small, family-owned company with one office in 2007, to a company today with over four hundred employees in twenty offices across the country thanks, in large part, to our partnerships with Fannie Mae and Freddie Mac. We have made significant investments in the multifamily finance industry by acquiring certain assets of Column Guaranteed from Credit Suisse in 2009 and acquiring CWCapital LLC in 2012. Both acquisitions strengthened our relationships with the GSEs and exemplify our continued commitment to, and investment of private capital in, the nation's multifamily finance market.

Walker & Dunlop's success is based on sound underwriting, strong client relationships and our ability to lend billions of dollars per year in all 50 states -- from rural areas to major metropolitan areas -- in partnership with the GSEs. A key component of these partnerships is the private capital we are required to invest and maintain in order to be an approved lending partner of the GSEs. For over 25 years, Walker & Dunlop has taken risk on the Fannie Mae loans we originate, and, because of rigorous underwriting, we have lent billions of dollars and have aggregate loan losses of less than $14 million (less than 10 basis points of all our Fannie Mae originations).

FHFA has received significant input and comment on the specific questions raised in the News Release issued on August 9th as part of a request for public input on the 2014 Multifamily Scorecard from concerned parties. Rather than focusing on the developing consensus that the GSEs do in fact play an important and irreplaceable role in the nation's multifamily finance market, we would like to focus on how the GSEs Multifamily businesses are currently meeting the Strategic Goals outlined in FHFA's 2013-2017 Strategic Plan.

FHFA's Strategic Plan lists four key goals for 2013 to 2017.

1) Ensure Safe and Sound Housing GSEs – Fannie Mae and Freddie Mac's multifamily businesses have practiced safe and sound lending since their inception and did not lose any money during the downturn. The GSEs have extensive influence in the multifamily market and have maintained the highest credit and pricing standards in both good and bad times.
2) Stability, Liquidity, and Access in Housing Finance - In 2007, the GSEs had a multifamily lending market share of approximately 40%. In 2008 and 2009, the GSEs' market share expanded to 70% as private capital in the multifamily housing finance market decreased by 92%. The ebb and flow of liquidity provided by the GSEs over the past five years is an excellent example of how the GSEs were intended to function – to provide liquidity to the marketplace when it is most needed, and to decrease their share of the market as other sources of capital become available. This process has not required lending caps or restrictions to Fannie Mae and Freddie Mac's multifamily businesses in the past – the free market has made this happen naturally.
3) Preserve and Conserve Enterprise Assets – The multifamily business units at the GSEs already utilize many of the means and strategies set forth in the Strategic Plan in order to preserve and conserve their assets. First, the GSEs have set and maintained the industry standards for prudent, disciplined, and uniform underwriting in the multifamily finance market. Second, the risk sharing models created by the GSEs' multifamily businesses have proven effective at minimizing credit loses by aligning the interests of loan originators, loan underwriters, the GSEs and investors. Finally, the GSEs have consistently excelled at monitoring their portfolios and the associated credit risk.
4) Prepare for the Future of Housing Finance in the U.S. –The GSEs' Multifamily businesses should serve as the model for the Federal Government's role in housing finance generally. Due to the GSEs' involvement, multifamily properties across the country, in both rural and urban areas, enjoy access to financing. The GSEs' strict underwriting standards, combined with the requirement that private capital be in a first-loss position, have produced *de minimis* losses and have not caused the taxpayers to lose a dollar, even during the financial crisis.

It is clear from an analysis of FHFA's Strategic Plan that if the multifamily lending programs at Fannie Mae and Freddie Mac are kept as is, and the Single-family lending businesses at Fannie Mae and Freddie Mac are converted to a business model similar to the multifamily programs, that FHFA would fully accomplish every mandate in its Strategic Plan.

There has been significant legislative and industry discussion about spinning-off or otherwise re-purposing the GSEs' multifamily businesses under a new enterprise that will continue to be based on an explicit government guarantee along with private capital taking the first-loss position. It cannot be forgotten, however, that the success of that model will be driven by the GSEs' ability to retain key staff, systems, and client relationships that will continue to diminish with any additional reductions to their businesses.

We hope this letter, along with the many others FHFA has received on this topic, enhances FHFA's appreciation of Fannie Mae and Freddie Mac's multifamily businesses as the models the GSEs should follow in order to achieve FHFA's 2013-2017 Strategic Plan. Providing liquidity to the markets, in a sound and measured way, is how Fannie Mae and Freddie Mac have always operated in the multifamily industry. We are a proud partner of both GSEs, and we look forward to continuing our partnership and sound lending practices with them for many years to come.

We welcome and appreciate the opportunity to express our thoughts on this important issue and look forward to engaging with you in further discussions.

Respectfully,

William M. Walker
Chairman & CEO