Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

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Investing in our common stock involves risks. You should carefully consider the following risk factors, together with all the other information contained in this Annual Report on Form 10- K, before making an investment decision to purchase our common stock. The realization of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations, and the market price and liquidity of our common stock, which could cause you to lose all or a significant part of your investment in our common stock. Some statements in this Annual Report, including statements in the following risk factors, constitute forward- looking statements. See " Forward- Looking Statements " for more information. Risks Relating to Our ~~BusinessThe~~ --- **Business The** loss of, changes in, or disruptions to our relationships with the Agencies and institutional investors would adversely affect our ability to originate commercial real estate loans, which would materially and adversely affect us. Currently, we originate all of our loans held for sale through the Agencies' programs. We are approved as a Fannie Mae DUS ® lender nationwide, a Fannie Mae Multifamily Small Loan lender, a Freddie Mac Optigo ® lender nationally for Conventional, Seniors Housing, Targeted Affordable Housing and Small Balance Loans, a HUD MAP lender nationwide, a HUD LEAN lender nationally, and a Ginnie Mae issuer. Our status as an approved lender affords us a number of advantages and may be terminated by the applicable Agency at any time. The loss of such status would, or changes in our relationships could, prevent us from being able to originate commercial real estate loans for sale through the particular Agency, which would materially and adversely affect us. It could also result in a loss of similar approvals from the other Agencies. Additionally, federal budgetary policies also impact our ability to originate loans, particularly if they have a negative impact on the ability of the Agencies to do business with us. Changes in fiscal, monetary, and budgetary policies and the operating status of the U. S. government are beyond our control, are difficult to predict, and could materially and adversely affect us. During periods of limited or no U. S. government operations, our ability to originate HUD loans may be severely constrained. The impact that limited or dormant government operations may have on our HUD lending depends on the duration of such impacted operations. We also broker loans on behalf of certain life insurance companies, investment banks, commercial banks, pension funds, CMBS conduits, and other institutional investors that directly underwrite and provide funding for the loans at closing. In cases where we do not fund the loan, we act as a loan broker. If these investors discontinue their relationship with us and replacement investors cannot be found on a timely basis, we could be adversely affected. A change to the conservatorship of Fannie Mae and Freddie Mac and related actions, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U. S. federal government or the existence of Fannie Mae and Freddie Mac, could materially and adversely affect our business. Currently, we originate a majority of our loans for sale through the GSEs' programs. Additionally, a substantial majority of our servicing portfolio represents loans we service through the GSEs' programs. Changes in the business charters, structure, or existence of one or both of the GSEs could eliminate or substantially reduce the number of loans we originate with the GSEs, which in turn would lead to a reduction in fees related to such loans. These effects would likely cause us to realize significantly lower revenues from our loan originations and servicing fees, and ultimately would have a material adverse impact on our business and financial results. In September 2008, the GSEs' regulator, the Federal Housing Finance Agency (the " FHFA "), placed each GSE into conservatorship. The conservatorship is a statutory process designed to preserve and conserve the GSEs' assets and property and put them in a sound and solvent condition. The conservatorships have no specified termination dates and there continues to be **discussions** ~~significant uncertainty~~ regarding the future **form** of the GSEs, including how long they will continue to exist in their current forms, the extent of their roles in the housing markets and whether or in what form they may exist following conservatorship. As the primary regulator and the conservator of the GSEs, the FHFA has taken a number of steps during conservatorship to manage the GSEs' multifamily business activities. Since 2013, the FHFA has established limits on the volume of new multifamily loans that may be purchased annually by the GSEs (" caps "). In November ~~2022~~ **2023** , the FHFA updated the GSEs' loan origination caps to $ ~~75~~ **70** . 0 billion for the four- quarter period beginning January 1, ~~2023~~ **2024** and ending December 31, ~~2023~~ **2024** . The new caps apply to all multifamily business with ~~no~~ **limited** exclusions. The FHFA also **maintained the** ~~directed that at least~~ 50. 0 % ~~of~~ **target for** the GSEs' multifamily business **to** be mission- driven, affordable housing. We cannot predict whether FHFA will implement further regulatory and other policy changes that will modify the GSEs' multifamily businesses. Congress has considered various housing finance reform bills since the GSEs went into conservatorship in 2008. Several of the bills have called for the winding down or receivership of the GSEs. We expect Congress to continue considering housing finance reform in the future, including conducting hearings and considering legislation that could alter the housing finance system. We cannot predict the prospects for the enactment, timing or content of legislative proposals regarding the future status of the GSEs. ~~14We~~ **We** are subject to risk of loss in connection with defaults on loans, including loans sold under the Fannie Mae DUS program, and could experience significant servicing advance obligations in connection with Fannie Mae and HUD loans we originate, that could materially and adversely affect our results of operations and liquidity. As a loan servicer, we maintain the primary contact with the borrower throughout the life of the loan and are responsible, pursuant to our servicing agreements with the Agencies and institutional investors, for asset management. We are also responsible, together with the applicable Agency or institutional investor, for taking actions to mitigate losses. Our asset management process may be unsuccessful in identifying loans that are in danger of underperforming or defaulting or in taking appropriate action once those loans are identified. While we can recommend a loss mitigation strategy for the Agencies, decisions regarding loss mitigation are within the control of the Agencies. Previous turmoil in the real estate, credit and capital markets have made this process even more difficult and unpredictable. When loans become delinquent, we may incur additional expenses in servicing and asset managing the loan and are typically required to advance principal and interest payments and tax and insurance escrow amounts. All of these items discussed above could have a negative impact on our cash flows. Because of the foregoing, a rise in delinquencies could have a material adverse effect on us. Under the Fannie Mae DUS program, we originate and service multifamily loans for Fannie Mae without having to obtain Fannie Mae' s prior approval for certain loans, as long as the loans meet the underwriting guidelines set forth by Fannie Mae. In return for the delegated authority to make loans and the commitment to purchase loans by Fannie Mae, we must maintain minimum collateral and generally are required to share risk of loss on loans sold through Fannie Mae. Under the full risk- sharing formula, we are required to absorb the first 5 % of any losses on the unpaid principal balance of a loan at the time of loss settlement, and above 5 % we are required to share the loss with Fannie Mae, with our maximum loss generally capped at 20 % of the original unpaid principal balance of a loan. In addition, Fannie Mae can double or triple our risk- sharing obligations if the loan does not meet specific underwriting criteria or if the loan defaults within 12 months of its sale to Fannie Mae. Fannie Mae also requires us to maintain collateral, which may include pledged securities, for our risk- ~~sharing~~ **15sharing** obligations. As of December 31, ~~2022~~ **2023** , we had pledged securities of $ ~~157~~ **184** . ~~3~~ **1** million as collateral against future losses related to $ ~~54~~ **58** . ~~2~~ **8** billion of loans outstanding that are subject to risk- sharing obligations, as more fully described under “ Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources, ” which we refer to as our “ at- risk balance. ” Fannie Mae collateral requirements may change in the future. As of December 31, ~~2022~~ **2023** , our allowance for risk- sharing as a percentage of the at- risk balance was 0. ~~08~~ **05** %, or $ ~~44~~ **31** . ~~1~~ **6** million, and reflects our current estimate of our future expected payouts under our risk- sharing obligations. Over the past 10 years, we have settled $ ~~22~~ **15** . ~~0~~ **3** million of risk- sharing losses, or ~~1~~ **0** . ~~2~~ **6** basis points of the average at- risk balance. We cannot ensure that our estimate of the allowance for risk- sharing obligations will be sufficient to cover future actual write offs. Other factors may also affect a borrower' s decision to default on a loan, such as property, cash flow, occupancy, maintenance needs, and other financing obligations. As of December 31, ~~2022~~ **2023** , ~~there~~ - **three at- risk loans** were ~~two loans~~ **in default** with an aggregate unpaid principal balance of $ ~~37~~ **27** . ~~0~~ **2** million and an aggregate collateral- based reserve of $ ~~4~~ **2** . ~~4~~ **8** million that had defaulted and are awaiting ultimate disposition. If loan defaults increase, actual risk- sharing obligation payments under the Fannie Mae DUS program may increase, and such defaults and payments could have a material adverse effect on our results of operations and liquidity. In addition, any failure to pay our share of losses under the Fannie Mae DUS program could result in the revocation of our license from Fannie Mae and the exercise of various remedies available to Fannie Mae under the Fannie Mae DUS program. A reduction in the prices paid for our loans and services or an increase in loan or security interest rates required by investors could materially and adversely affect our results of operations. Our results of operations could be materially and adversely affected if the Agencies or institutional investors lower the price they are willing to pay to us for our loans or services or adversely change the material terms of their loan purchases or service arrangements with us. Multiple factors determine the price we receive for our loans. With respect to Fannie Mae- related originations, our loans are generally sold as Fannie Mae- insured securities to third- party investors. With respect to HUD- related originations, our loans are generally sold as Ginnie Mae securities to third- party investors. In both cases, the price paid to us reflects, in part, the competitive market bidding process for these securities. We sell loans directly to Freddie Mac. Freddie Mac may choose to hold, sell or later securitize such loans. We believe terms set by Freddie Mac are influenced by similar market factors as those that impact the price of Fannie Mae – insured or Ginnie Mae securities, although the pricing process differs. With respect to loans that are placed with institutional investors, the origination fees that we receive from borrowers are determined through negotiations, competition, and other market conditions. Loan servicing fees are based, in part, on the risk- sharing obligations associated with the loan and the market pricing of credit risk. The credit risk premium offered by Fannie Mae for new loans can change periodically but remains fixed once we enter into a commitment to sell the loan. Over the past several years, Fannie Mae loan servicing fees have generally been higher than for other products principally due to the market pricing of credit risk. There can be no assurance that such fees will continue to remain at such levels or that such levels will be sufficient if delinquencies occur. ~~15Servicing~~ -- **Servicing** fees for loans placed with institutional investors are negotiated with each institutional investor pursuant to agreements that we have with them. These fees for new loans vary over time and may be materially and adversely affected by a number of factors, including competitors that may be willing to provide similar services at lower rates. A significant portion of our revenue is derived from loan servicing fees, and declines in or terminations of servicing engagements or breaches of servicing agreements could have a material adverse effect on us. We expect that loan servicing fees will continue to constitute a significant portion of our revenues for the foreseeable future. Nearly all of these fees are derived from loans that we originate and sell through the Agencies’ programs or place with institutional investors. A decline in the number or value of loans that we originate for these investors or terminations of our servicing engagements will decrease these fees. HUD has the right to terminate our current servicing engagements for cause. In addition to termination for cause, Fannie Mae and Freddie Mac may terminate our servicing engagements without cause by paying a termination fee. Our institutional investors typically may terminate our servicing engagements at any time with or without cause, without paying a termination fee. We are also subject to losses that may arise from servicing errors, such as a failure to maintain insurance, pay taxes, or provide notices. If a significant number of our loan warehouse facilities, on which we are highly dependent, are terminated or reduced, we may be unable to find replacement financing on favorable terms, or at all, which would have a material adverse effect on us. We require a significant amount of short- term funding capacity to finance Agency loans we originate. As of December 31, ~~2022~~ **2023** , we had $ 3. 9 billion of committed and uncommitted loan funding available through five commercial banks and $ 1. 5 billion of uncommitted funding available through Fannie Mae’ s As Soon As Pooled (“ ASAP ”) program. Additionally, consistent with industry practice, our existing loan warehouse facilities have terms of one year, and therefore require annual renewal. If a significant number of our committed facilities are reduced, terminated, or are not renewed or our uncommitted facilities are not honored, we may be unable to find replacement financing on favorable terms, or at all, and we might not be able to originate loans, which would have a material adverse effect on us.

Additionally, as our ~~business~~ **16business** continues to expand, we may need additional warehouse funding capacity for loans we originate. There can be no assurance that, in the future, we will be able to obtain additional warehouse funding capacity on favorable terms, on a timely basis, or at all. If we fail to meet or satisfy any of the financial or other covenants included in our warehouse facilities, we would be in default under one or more of these facilities and our lenders could elect to declare all amounts outstanding under the facilities to be immediately due and payable, enforce their interests against loans pledged under such facilities and / or restrict our ability to make additional borrowings. These facilities also contain cross- default provisions, such that if a default occurs under any of our debt agreements, generally the lenders under our other debt agreements could also declare a default. These restrictions (and restrictions included in our long- term debt agreement) may interfere with our ability to obtain financing or to engage in other business activities, which could materially and adversely affect us. There can be no assurance that we will maintain compliance with all financial and other covenants included in our loan warehouse facilities in the future. We may be required to repurchase loans or indemnify loan purchasers if there is a breach of a representation or warranty made by us in connection with the sale of loans through the programs of the Agencies, which could have a material adverse effect on us. We must make certain representations and warranties concerning each loan originated by us for the Agencies' programs. The representations and warranties relate to our practices in the origination and servicing of the loans and the accuracy of the information being provided by us. For example, we are generally required to provide, among others, the following representations and warranties: we are authorized to do business and to sell or assign the loan; the loan conforms to the requirements of the Agencies and certain laws and regulations; the underlying mortgage represents a valid lien on the property and there are no other liens on the property; the loan documents are valid and enforceable; taxes, assessments, insurance premiums, rents and similar other payments have been paid or escrowed; the property is insured, conforms to zoning laws and remains intact; **there is not any act or omission of which we, in the exercise of reasonable diligence should have been aware;** and we do not know of any issues regarding the loan that are reasonably expected to cause the loan to be delinquent or unacceptable for investment or adversely affect its value. We are permitted to satisfy certain of these representations and warranties by furnishing a title insurance policy. In the event of a breach of any representation or warranty concerning a loan, investors could, among other things, require us to repurchase the full amount of the loan and seek indemnification for losses from us, or, for Fannie Mae DUS loans, increase the level of risk- sharing on the loan. Our obligation to repurchase the loan is independent of our risk- sharing obligations. The Agencies could require us to repurchase the loan if representations and warranties are breached, even if the loan is not in default. Because the accuracy of many such representations and warranties generally is based on our actions or on third- party reports, such as title reports and environmental reports, we may not receive similar representations and warranties from other parties that would serve as a claim against them. Even if we receive representations and warranties from third parties and have a claim against them, in the event of a breach, our ability to recover on any such claim may be limited. Our ability to recover against a borrower that breaches its representations and warranties to us may be similarly limited. Our ability to recover on a claim against any party would also be dependent, in part, upon the financial condition and liquidity of such party. There can be no assurance that we, ~~16our~~ -- **our** employees or third parties will not make mistakes that would subject us to repurchase or indemnification obligations. ~~Any~~ **A** significant **amount of** repurchase or indemnification obligations imposed on us could have a material adverse effect on us **and increase our liquidity needs** . We have made various investments that are funded with corporate capital. These investments may involve a greater risk of loss than our traditional real estate lending activities. We use corporate capital to make investments in (i) ~~loans under the Interim Loan Program, (ii)~~ joint ventures and other equity method investments, (~~iii~~ - **ii**) loans to our LIHTC joint venture **development** partners ~~and~~ **, (iii) investments in LIHTC equity funds,** (iv) **co-** investments in ~~LIHTC tax credit equity~~ **funds managed by our registered investment advisor, and (v) loans made by the Interim Loan JV or through the Interim Loan Program** . Below we discuss the risks associated with these investments. (i) **(ii)** Joint ventures and other equity method investmentsWe make investments in various joint ventures,including ~~investments~~ **with select developers of LIHTC properties and as part of the Interim Program JV.We are also an investor** in various venture capital funds with a specific focus on identifying and investing in property technology and financial technology companies with a predominant focus on the housing and commercial real estate sectors.We bear the risk that these investments will not be able to generate sufficient cash flows for us to fully recover our capital contributions.These investments are included in Other assets on the Consolidated Balance Sheets.(~~ii~~ **iii**) Loans to our LIHTC joint venture partnersTo provide capital support ~~to~~ the partners in our LIHTC joint ventures,who are the developers of LIHTC properties,we provide loans to these partners.The funds from these loans are used to prepare a property for development and ultimately to be syndicated into a LIHTC fund.These loans are generally short- term and repaid with proceeds from ~~the operation of the properties,~~ construction loans or permanent loans from third- party sources or proceeds from the sale ~~of equity~~ to LIHTC funds.We face risk that these loans to our joint venture partners may ~~17not~~ -- **not** be repaid if ~~the cash flow from operations is not sufficient to repay the loans,~~ loans from third parties cannot be obtained **or** ~~,the equity in~~ the property is not sold to a LIHTC fund ~~,or the value of the equity in the underlying property is sufficient~~ .(~~iii~~ **iv**) Investments in LIHTC **tax credit** ~~equity~~ **equityWe** ~~fundsWe~~ acquire interests in tax credit property partnerships for sale to LIHTC investment funds and,at any point in time,the aggregate amount of funds advanced can be material.Recovery of **these investments is subject to our ability to attract investors to new investment funds.** Interim Loan ProgramUnder the **Interim Loan JV and** Interim Loan Program, we offer short- term, floating- rate loans to borrowers seeking to acquire or reposition multifamily properties that do not currently qualify for permanent financing. Such a borrower often has identified a transitional asset that has been under- managed and / or is located in a recovering market. **We** ~~If the market in which the asset is located fails to recover according to the borrower' s projections, or if the borrower fails to improve the quality of the asset' s management and / or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the interim loan, and we~~ bear the risk that we may not recover some or all of the loan balance ~~. In addition,~~ **if (i) the** ~~borrowers~~ - **borrower** ~~usually use~~ **does not receive sufficient return on** the **asset** ~~proceeds of a long- term mortgage loan~~ to ~~repay an~~ **satisfy the** interim loan **or (ii) the** ~~.~~

~~We may therefore be dependent on a~~ borrower **is unable** ~~' s ability~~ to obtain permanent financing ~~to repay our interim loan, which could depend on market conditions and other factors~~. ~~Further~~ **Additionally**, interim loans may be relatively less liquid ~~than loans against stabilized properties~~ due to ~~their~~ -- **the nature of** ~~short life, their~~ -- **the** ~~potential~~ **underlying property, which may make them** ~~unsuitability~~ - **unsuitable** for securitization ~~, any unstabilized nature of the underlying real estate~~ and ~~the difficulty of recovery in the event of a borrower' s default. This lack of liquidity~~ may **be difficult** ~~significantly impede our ability~~ to **fully recover** ~~respond to adverse changes in~~ the ~~performance of loans~~ - **loan amount from sale** ~~in the Interim Program and may adversely affect the fair value of such loans and the~~ proceeds ~~from their disposition~~. Carrying loans for longer periods of time on our balance sheet exposes us to greater risks of loss than we currently face for loans that are pre- sold or placed with investors, including, without limitation, 100 % exposure for defaults and impairment charges, which may adversely affect our profitability. (ii) Joint ventures and other...... attract investors to new investment funds. We have contractual obligations that will require significant uses of capital. Our ability to fund these uses of capital is dependent on both our results of operations and our ability to access capital markets. A decline in the results of our operations, an inability to access capital markets, or an increase in the cost of capital may materially affect our operations. As discussed in " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources, " we have made commitments to fund (i) equity- method investments, (ii) investments in affordable housing partnerships to be syndicated into LIHTC investment funds, and (iii) earnout payments from acquisitions, and we also must satisfy collateral requirements for our Fannie Mae DUS risk-sharing obligations and the operational liquidity requirements of Fannie Mae, Freddie Mac, HUD, Ginnie Mae, and our warehouse facility lenders. To fund these cash flow obligations, we typically use cash generated from our operations and, when necessary, from funds raised in the capital markets. A significant decline in our operational performance, an inability to access capital markets for funding, or a sharp rise in our cost of capital could adversely affect our ability to meet these future obligations. ~~17We~~ **We** are dependent upon the success of the multifamily real estate sector and conditions that negatively impact the multifamily sector may reduce demand for our products and services and materially and adversely affect us. We provide commercial real estate financial products and services primarily to developers and owners of multifamily properties. Accordingly, the success of our business is closely tied to the overall success of the multifamily real estate market. Various changes in real estate conditions may impact the multifamily sector. Any negative trends in such real estate conditions may reduce demand for our products and services and, as a result, adversely affect our results of operations. These conditions include: ● an oversupply of, or a reduction in demand for, multifamily housing; ● a change in policy or circumstances that may result in a significant number of current and / or potential residents of multifamily properties deciding to purchase homes instead of renting; ● rent control, rent forbearance, or stabilization laws, or other laws regulating multifamily housing, which could affect the profitability or values of multifamily developments; ● the inability of residents and tenants to pay rent; ● changes in the tax code related to investment real estate; ● increased competition in the multifamily sector based on considerations such as the attractiveness, location, rental rates, amenities, and safety record of various properties; and ● increased operating costs, including increased real property taxes, maintenance, insurance, and utilities costs. Moreover, other factors may adversely affect the multifamily sector, including general business, economic and market conditions, **including rising interest rates or a period of elevated interest rates, inflation, political and geographical instability,** fluctuations in the real estate and debt capital markets, changes in government fiscal and monetary policies, regulations and other laws, rules and regulations governing real estate, zoning or taxes, changes in interest rate levels, the potential liability under environmental and other laws, and other unforeseen events. Any or all of these factors could negatively impact the multifamily sector and, as a result, reduce the demand for our products and services. Any such reduction could materially and adversely affect us. ~~The~~ **18The** loss of our ~~key management~~ **Chairman and Chief Executive Officer** could result in a material adverse effect on our business and results of operations. Our future success depends to a significant extent on the continued services of ~~our senior management, particularly~~ William Walker, our Chairman and Chief Executive Officer. The loss of the services of ~~any of these individuals~~ **our Chairman and Chief Executive Officer** could have a material adverse effect on our business and results of operations. We ~~maintain a robust succession planning process for all of our senior management and regularly update our Board on such developments. In addition, we~~ maintain " key person " life insurance ~~only~~ on Mr. Walker, and the insurance proceeds from such insurance may be insufficient to cover the cost associated with recruiting a new Chief Executive Officer. We intend to drive a significant portion of our future growth through additional strategic acquisitions or investments in new ventures and new lines of business. If we do not successfully identify, complete and integrate such acquisitions or investments, our growth may be limited. Additionally, expansion of our business may place significant demands on our administrative, operational, and financial resources, and the acquired businesses or new ventures may not perform as we expect them to or become profitable. We intend to pursue continued growth by acquiring or starting complementary businesses, but we cannot guarantee such efforts will be successful or profitable. We do not know whether the favorable conditions that have enabled our past growth through acquisitions and strategic investments will continue. The identification of suitable acquisition candidates and new ventures can be difficult, time consuming and costly, and we may not be able to successfully complete identified acquisitions or investments in new ventures on favorable terms, or at all. In addition, if our growth continues, it could increase our expenses and place additional demands on our management, personnel, information systems, and other resources. Sustaining our growth could require us to commit additional management, operational and financial resources to maintain appropriate operational and financial systems to adequately support expansion. Acquisitions or new investments also typically involve significant costs related to integrating information technology, accounting, reporting, and management services and rationalizing personnel levels and may require significant time to obtain new or updated regulatory approvals from the Agencies and other federal and state authorities. Negative impacts of acquisitions of new ventures that could have a material and adverse effect on us include diversion of management' s attention from the regular operations of our business and potential loss of our key personnel, inability to hire and retain qualified bankers and brokers, and inability to achieve the anticipated benefits of the acquisitions or new investments.

There can be no assurance that we will be able to manage any growth effectively and any failure to do so could adversely affect our ability to generate revenue and control our expenses, which could materially and adversely affect us. In addition, future acquisitions or new investments could result in significantly dilutive issuances of equity securities or the incurrence of substantial debt, contingent liabilities, or expenses or other charges, which could also materially and adversely affect us. ~~18Our~~ - - **Our** future success depends, in part, on our ability to expand or modify our business in response to changing client demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses or investments in new ventures rather than through internal growth. There is a risk of unfavorable changes to, or elimination of governmental programs that could limit the product offerings of our affordable housing ~~investment management~~ **real estate** services. As discussed above under Part I, Item 1. Business " Our Business — Affordable Housing ~~and Other Commercial~~ Real Estate ~~- related Investment Management~~ Services, " our affordable housing ~~investment management~~ **real estate** service derives revenue from the syndication of partnership interests in properties eligible for low- income housing tax credits, or LIHTCs. Although the LIHTC programs are a permanent part of the ~~Tax~~ **U. S. federal tax** ~~Code~~ **code** and have historically enjoyed broad political support, Congress could repeal or modify the LIHTC provisions at any time or modify the tax laws so that the value of LIHTC benefits is reduced. If the LIHTC provisions are repealed or adversely modified, the results of operations of our Affordable Housing ~~Investment Management~~ **Real Estate** Services would be materially adversely affected. Our role as a sponsor of investment funds and co- developer of affordable properties exposes us to risks of loss. In connection with the sponsorship of investment funds, we act as a fiduciary to the investors in our investment funds and could be liable in connection with our actions as a fiduciary. We could also be liable to investors in investment funds and third parties as a result of serving as general partner or special limited partner in various investment funds. As a co- developer of affordable housing properties, we are exposed to development risks associated with the construction and lease- up of affordable housing properties. A failed project could result in financial and liquidity exposure to us for the completion of the project or the disposition of the project at a loss. ~~Noncompliance~~ **19Noncompliance** with various legal requirements by the affordable housing partnerships could impair our investors' right to LIHTCs and have a negative impact on our business. The ability of investors in tax credit equity funds we sponsor to benefit from LIHTCs requires that the partnerships in which those funds invest operate affordable housing projects in compliance with a number of requirements in the Tax Code and the regulations thereunder. The loss of tax benefits could result under applicable laws if, among other things, the property is not occupied by a minimum percentage of residents whose income falls below specified levels, the level of rent charged to certain residents exceeds certain limits, or the fund' s investment in the property is terminated through a sale or foreclosure of the property under certain circumstances. Failure to comply continuously with these requirements throughout a 15- year compliance period could result in loss of the right to those LIHTCs, including recapture of credits that were already taken. While we have no direct liability for such foregone credits, our prospective business and reputation could be negatively impacted by significant and repeated recapture of credits. **The failure of banks or other major financial institutions, or sustained financial market illiquidity, could adversely affect our and our clients' businesses and results of operations. The failure of certain financial institutions may increase the possibility of a sustained deterioration of financial market liquidity. The failure of a bank (or banks) with which we and / or our clients have a commercial relationship could adversely affect, among other things, our and / or our clients' ability to pursue key initiatives, including by affecting our ability to borrow from financial institutions on favorable terms. In the event our client has a commercial relationship with a bank that has failed or is otherwise distressed, such client may experience delays or other issues in meeting certain debt service, other funding or credit support obligations or consummating transactions with us. Additionally, if a client has a commercial relationship with a bank that has failed or is otherwise distressed, the client or sponsor may experience issues receiving financial assistance to support their operations or consummate transactions, to the detriment of their business, financial condition and / or results of operations, which, in turn, may have a material adverse effect on our business, results of operations, liquidity, or financial condition. We maintain cash deposits in excess of federally insured limits. Adverse developments affecting systematically important financial institutions, including bank failures, could adversely affect our liquidity and financial performance. We maintain substantially all of our cash and cash equivalents in domestic cash deposits in systematically important financial institutions, which are Federal Deposit Insurance Corporation (" FDIC ") insured banks, and certain of our cash deposits exceed FDIC insurance limits. Market conditions can impact the viability of these institutions, and bank failures, events involving limited liquidity, defaults, non- performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. The failure of a bank, or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, could adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of FDIC insurance limits will be backstopped by the U. S. government, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, or government institutions, or by acquisition in the event of a failure or liquidity crisis.** Risks Relating to Regulatory MattersIf we fail to comply with the numerous government regulations and program requirements of the Agencies, we may lose our approved lender status with these entities and fail to gain additional approvals or licenses for our business. We are also subject to changes in laws, regulations and existing Agency program requirements, including potential increases in reserve and risk retention requirements that could increase our costs and affect the way we conduct our business, which could materially and adversely affect us. Our operations are subject to regulation by federal, state, and local government authorities, various laws and judicial and administrative decisions, and regulations and policies of the Agencies. These laws, regulations, rules, and policies impose, among other things, minimum net worth, operational liquidity and collateral requirements. Fannie Mae requires us to maintain operational liquidity based on a formula that considers the balance of the loan and the level of credit loss exposure (level of risk- sharing). Fannie Mae requires us to maintain collateral, which may include pledged securities, for our risk- sharing obligations. The amount of collateral required under the Fannie Mae DUS program is calculated at the loan level and is based on the balance of the loan, the level of risk- sharing, the seasoning of the loan, and our rating. Regulatory authorities also require us to submit financial reports and to maintain a quality control plan for the underwriting, origination and servicing of loans. Numerous laws and regulations also impose qualification and licensing obligations on us and impose requirements and restrictions affecting, among other things: our loan originations; maximum interest rates, finance charges and other fees that we may charge; disclosures to consumers; the terms of secured transactions; debt collection; personnel qualifications; and other trade practices. We also are subject to inspection by the Agencies and regulatory authorities. Our failure to comply with these requirements could lead to, among other ~~19things~~ **20things** , the loss of a license as an approved Agency lender, the inability to gain additional approvals or licenses, the termination of contractual rights without compensation, demands for indemnification or loan repurchases, class action lawsuits and administrative enforcement actions. As a registered broker- dealer, one of our subsidiaries is subject to extensive regulation that exposes us to a variety of risks associated with the securities industry. Broker- dealer and other financial services firms are subject to extensive regulatory requirements under federal and state laws and regulations and self- regulatory organization (" SRO ") rules. One of our subsidiary entities, Zelman Partners, LLC (" Zelman Partners ") is registered with the SEC as a broker- dealer under the Exchange Act and in the states in which Zelman Partners conducts securities business and is a member of FINRA and other SROs. Zelman Partners is subject to regulation, examination and disciplinary action by the SEC, FINRA and state securities regulators, as well as other governmental authorities and SROs with which Zelman Partners is registered or licensed or of which Zelman Partners is a member. The regulations applicable to broker- dealers depend in part on the nature of the business conducted by the broker- dealer, and generally cover all aspects of the securities business, including, among other things, sales practices, fee arrangements, disclosures to clients, capital adequacy, use and safekeeping of clients' funds and securities, recordkeeping and reporting and the qualification and conduct of officers, employees and independent contractors. As part of this regulatory scheme, broker- dealers are subject to regular and special examinations by the SEC and FINRA intended to determine their compliance with securities laws, regulations and rules. Following an examination' s conclusion, a broker- dealer may receive a deficiency letter identifying potential compliance or supervisory weaknesses or rule violations which the firm must address. Any such proceeding against Zelman Partners, or any of its associated persons, could harm our reputation, cause us to lose clients or fail to gain new clients and have a material adverse effect on our business. Our ability to comply with applicable laws, rules and regulations will be largely dependent on our establishment and maintenance of compliance, supervision, recordkeeping and reporting and audit systems and procedures, as well as our ability to attract and retain qualified compliance, audit and risk management personnel. While we have adopted policies and procedures we believe are reasonably designed to comply with applicable laws, rules and regulations, these systems and procedures may not be fully effective, and there can be no assurance that regulators or third parties will not raise material issues with respect to our past or future compliance with applicable regulations. If we fail to comply with laws, regulations and market standards regarding the privacy, use, and security of customer information, or if we are the target of a successful cyber- attack, we may be subject to legal and regulatory actions and our reputation would be harmed. We receive, maintain, and store non- public personal information of our customers. The technology and other controls and processes designed to secure our customer information and to prevent, detect, and remedy any unauthorized access to that information were designed to obtain reasonable, not absolute, assurance that such information is secure and that any unauthorized access is identified and addressed appropriately. We, and our service providers, are regularly subject to and expect to continue to experience cyberattacks that are increasingly sophisticated **(including using artificial intelligence)** , that are often designed to evade detection, and / or that seek to damage or disrupt our network, as well as those of our service providers, and other information systems. Certain of these cyberattacks **, including phishing attacks,** have resulted in unauthorized access by third parties to information that we receive, maintain and store in the course of our business. Although these cyberattacks have not resulted in material financial impacts or disruptions to our business, given the accelerating scope, sophistication, and frequency of cyberattacks, there can be no assurance that the **cybersecurity** incidents we have experienced or any future incident will not materially impact our security, operations and financial results. Future cyberattacks, or the perception thereof, could result in a loss of data, operational disruptions, and even lost business and goodwill. Additionally, we could incur significant costs associated with the recovery from a cyber- attack, and these costs may exceed, or the events to which they relate, may be excluded from, coverage under, our cyber insurance. If customer information is inappropriately accessed and used by a third party or an employee for illegal purposes, such as identity theft, we may be responsible for any losses the affected applicant or borrower may have incurred as a result of misappropriation. In such an instance, we may be liable to a governmental authority for fines or penalties associated with a lapse in the integrity and security of our customers' information. Additionally, if we are the target of a successful cyberattack, we may experience reputational harm that could impact our standing with our borrowers and adversely impact our financial results. We regularly update our existing information technology systems and install new technologies when deemed necessary and regularly provide employee awareness training around phishing, malware, and other cyber risks and physical security to address the risk of cyber- attacks and other security breaches. However, such preventative measures may not be sufficient to prevent future cyberattacks or a breach of customer information. Additionally, most of our employees work remotely **or in a hybrid arrangement** and will continue to do so for the foreseeable future **. Remote and hybrid working arrangements at our Company (and at many third- party providers) increase cybersecurity risks due to the challenges associated with managing remote computing assets and security vulnerabilities that are present in many non- corporate and home networks** . While we have designed our controls and processes to operate in a remote working environment, there is a heightened risk such ~~controls~~ **21controls** and processes may not detect or prevent unauthorized access to our information systems. ~~20In~~ **There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls, or procedures, will be fully implemented, complied with or effective in protecting our information technology systems and confidential information. In** addition, we need to comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the United States, Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation (" GDPR "), which became effective on May 25, 2018, and the State of California adopted the California Consumer Privacy Act of 2018 (" CCPA ") **and** ~~. Both~~ the **California Privacy Rights Act of 2020 (" CPRA "). The** GDPR **,** ~~and the~~ CCPA **, and CPRA, among others,** impose additional obligations on companies regarding the handling of personal data ~~and~~ **,** provide certain individual privacy rights to persons whose data is stored **and create new audit requirements for higher risk data** . Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under the GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Risks Related to Our Organization and StructureCertain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law (the " MGCL ") may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then- prevailing market price of our common stock. We are subject to the " business combination " provisions of the MGCL that, subject to limitations, prohibit certain business combinations (including a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between us and an " interested stockholder " (defined generally as any person who beneficially owns 10 % or more of our then outstanding voting power of our capital stock or an affiliate or associate of ours who, at any time within the two- year period prior to the date in question, was the beneficial owner of 10 % or more of our then outstanding voting power of our then outstanding capital stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price or supermajority stockholder voting requirements on these combinations. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. The " control share " provisions of the MGCL provide that holders of " control shares " of the Company (defined as shares which, when aggregated with other shares controlled by the stockholder (except solely by virtue of a revocable proxy) entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a " control share acquisition " (defined as the direct and indirect acquisition of ownership or control of issued and outstanding " control shares ") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and our personnel who are also our directors. Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to adopt certain mechanisms, some of which (for example, a classified board) we do not yet have. These provisions may have the effect of limiting or precluding a third party from making an acquisition proposal for us or of delaying, deferring or preventing a transaction or a change in control of the Company under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elect to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. Our authorized but unissued shares of common and preferred stock may prevent a change in control of the Company. Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a class or series of common or preferred stock with preferences, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock or that could delay, defer, or prevent a transaction or a change in control of the Company that might involve a premium price for shares of our common stock or otherwise be in the best interests of our stockholders. ~~Our~~ **22Our** rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit our stockholders' recourse in the event actions are taken that are not in our stockholders' best interests. Under Maryland law generally, a director is required to perform his or her duties in good faith, in a manner he or she reasonably believes to be in the best interests of the Company and with the care that an ordinarily prudent person in a like position would use under similar ~~21circumstances~~ -- **circumstances** . Under Maryland law, directors are presumed to have acted with this standard of care. In addition, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from: ● actual receipt of an improper benefit or profit in money, property or services; or ● active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated. Our charter and bylaws obligate us to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. In addition, we are obligated to advance the defense costs incurred by our directors and officers. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter and bylaws. Our charter contains limitations on our stockholders' ability to remove our directors, which could make it difficult for our stockholders to effect changes to our management. Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of two- thirds of the votes entitled to be cast in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may delay, defer, or prevent a change in control of the Company that is in the best interests of our stockholders. We are a holding company with minimal direct operations and rely largely on funds received from our subsidiaries for our cash requirements. We are a holding company and conduct the majority of our operations through Walker & Dunlop, LLC, our operating company. We do not have, apart from our ownership of this operating company and certain other subsidiaries, any significant independent operations. As a result, we rely on distributions from our operating company to pay any dividends we might declare on shares of our common stock. We also rely largely on distributions from this operating company to meet any of our cash requirements, including our tax liability on taxable income allocated to us and debt payments. In addition, because we are a holding company, any claims from common stockholders are structurally subordinated to all existing and future liabilities (whether or not for borrowed money) and any preferred equity of our operating company. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating company will be able to satisfy the claims of our common stockholders only after all of our and our operating company' s liabilities and any preferred equity have been paid in full. Risks Related to Our Financial StatementsOur financial statements are based in part on assumptions and estimates which, if wrong, could result in unexpected cash and non- cash losses in the future, and our financial statements depend on our internal control over financial reporting. Pursuant to generally accepted accounting principles in the United States of America (" GAAP "), we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves and the fair value of MSRs, among other items. We make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment. These and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective as they are based on significant estimation and judgment. Several of our accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If assumptions or estimates underlying our financial statements are incorrect, losses may be greater than those expectations. Our existing goodwill could become impaired, which may require us to take significant non- cash charges. Under current accounting guidelines, we evaluate our goodwill at each of our reporting units for potential impairment annually or more frequently if circumstances indicate impairment may have occurred. In addition to the annual impairment evaluation, we evaluate at least quarterly whether events or circumstances have occurred in the period subsequent to the annual impairment testing which indicate that it is **23** ~~more likely than not an impairment loss has occurred. Any impairment of goodwill as a result of such analysis would result in a non- cash charge against earnings, which charge could materially adversely affect our reported results of operations, stockholders' equity, and our stock price. * * * 22~~