Walker & Dunlop, Inc.
Form PRER14A
July 20, 2012

Use these links to rapidly review the document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

WALKER & DUNLOP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

WALKER & DUNLOP, INC.

7501 Wisconsin Avenue, Suite 1200E
Bethesda, Maryland 20814

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On [ ], 2012
9:00 a.m. Eastern Daylight Time

Dear Stockholder:

You are cordially invited to attend the special meeting (the "Special Meeting") of stockholders of Walker & Dunlop, Inc. (the "Company") to be held on [ ], 2012, at 9:00 a.m., Eastern Daylight Time, at the Hilton Garden Inn, 7301 Waverly Street, Bethesda, Maryland 20814.

At the Special Meeting, you will be asked to vote on proposals to:

1. approve the Company's issuance of shares (the "Stock Consideration") of its common stock (the "Share Issuance Proposal") in connection with the proposed acquisition of CWCapital LLC ("CWCapital") by the Company's indirect wholly owned operating subsidiary, Walker & Dunlop, LLC (the "Purchaser"), pursuant to a purchase agreement (the "Purchase Agreement"), dated as of June 7, 2012, among the Company, the Purchaser, CWCapital and CW Financial Services LLC, a Delaware limited liability company (the "Seller"), for aggregate consideration, net of certain expenses and adjustments, of approximately $220 million, consisting of $80 million paid in cash from the Purchaser and $140 million paid through the issuance of a number of shares expected to equal 11,647,255 shares of Common Stock, or approximately 34 percent of the Company on a fully diluted basis, subject to adjustment as described below under "The Purchase Agreement" on page 44;

2. (i) approve amendments to the Company's 2010 Equity Incentive Plan (the "Equity Incentive Plan") that would increase the number of shares reserved and individual limits of categories of awards under, add additional performance measures applicable to, extend the termination date of, and make certain other related technical amendments to, the Equity Incentive Plan, and (ii) re-approve material terms and conditions relating to performance-based compensation under the Equity Incentive Plan (the "Plan Amendment Proposal");

3. adjourn the Special Meeting, for up to 20 additional days, solely to the extent necessary to solicit additional proxies if there are insufficient votes to approve the Share Issuance Proposal at the time of the Special Meeting (the "Adjournment Proposal"); and

4. transact such other business as may properly come before the Special Meeting or any adjournment thereof.

The Board has unanimously determined that the Share Issuance Proposal, the Plan Amendment Proposal and the Adjournment Proposal are in the best interest of the Company and its stockholders. The Board unanimously recommends that you vote *for* the Share Issuance Proposal, *for* the Plan Amendment Proposal and *for* the Adjournment Proposal.

Only stockholders of record at the close of business on [ ], 2012 will be entitled to vote at the Special Meeting or any adjournment thereof.

The obligations of the Company, the Purchaser and the Seller to complete the Purchaser's acquisition of CWCapital are subject to the conditions set forth in the Purchase Agreement, which are summarized in the accompanying proxy statement. More information about the Company, CWCapital, the Special Meeting and the Purchase Agreement is contained in the accompanying proxy statement. **You are encouraged to read carefully the accompanying proxy statement, including the documents incorporated by reference, in its entirety.**

Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the acquisition of CWCapital, passed upon the merits or fairness of the

Table of Contents

acquisition or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

We look forward to seeing you at the Special Meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY CARD AND RETURN IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE SPECIAL MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON, IF YOU DESIRE, AS DISCUSSED IN THIS PROXY STATEMENT.

By order of our Board of Directors,

Richard M. Lucas
Executive Vice President,
General Counsel and Secretary

Bethesda, Maryland
Dated: **[ ]**, 2012

ADDITIONAL INFORMATION

Additional business and financial information about the Company can be found in documents previously filed with the U.S. Securities and Exchange Commission (the "SEC"). This information is available to you without charge at the SEC's website at *http://www.sec.gov*. You can also obtain additional copies of this proxy statement, as well as other relevant materials, by visiting the Company's website at www.walkerdunlop.com or by requesting them in writing using the following contact information:

Walker & Dunlop, Inc.
Attn: Investor Relations
7501 Wisconsin Avenue, Suite 1200E
Bethesda, Maryland 20814

See "Where You Can Find More Information" beginning on page 110 for more information about the documents previously filed by us with the SEC and incorporated herein by reference.

All information contained in this proxy statement regarding CWCapital LLC and CW Financial Services LLC was provided by CW Financial Services LLC. We do not warrant the accuracy of the information provided by CW Financial Services LLC.

Table of Contents

TABLE OF CONTENTS

Table of Contents

WALKER & DUNLOP, INC.

7501 Wisconsin Avenue, Suite 1200E
Bethesda, Maryland 20814

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE SPECIAL MEETING

The information in this section does not provide all of the information that may be important to you with respect to the matters being considered at the Special Meeting. Therefore, you should read this proxy statement carefully, as well as the full contents of the other documents to which this proxy statement refers or incorporates by reference. These documents contain information that may be important to you in determining how you will vote on the matters to be considered at the Special Meeting.

Why am I receiving this proxy statement?

You are receiving this proxy statement and the accompanying proxy card because you own shares of Walker & Dunlop, Inc.'s common stock, par value $0.01 per share (the "Common Stock"). This proxy statement contains information related to the solicitation of proxies for use at our Special Meeting of stockholders to be held at 9:00 a.m., Eastern Daylight Time, on [ ], 2012, and at any adjournments or postponements thereof (the "Special Meeting"), for the purposes stated in the accompanying Notice of Special Meeting of Stockholders. The Special Meeting will be held at the Hilton Garden Inn, 7301 Waverly Street, Bethesda, Maryland 20814. This solicitation is made by Walker & Dunlop, Inc. on behalf of our Board of Directors (the "Board"). Unless otherwise stated, as used in this proxy statement, the terms "we," "our," "us", "Walker & Dunlop" and the "Company" refer to Walker & Dunlop, Inc. This proxy statement is dated [ ], 2012. This proxy statement, the Notice of Special Meeting of Stockholders and the enclosed proxy card are first being mailed to stockholders beginning on or about [ ], 2012.

What information is presented in this proxy statement?

The information contained in this proxy statement relates to the proposals to be voted on at the Special Meeting, the voting process and other required information.

What is the purpose of the Special Meeting?

The purpose of the Special Meeting is to vote upon the following three proposals:

(i) A proposal to approve the issuance of shares of our Common Stock in connection with the acquisition (the "Acquisition") of all of the limited liability company membership interests in CWCapital LLC ("CWCapital"), a Massachusetts limited liability company and a direct wholly owned subsidiary of CW Financial Services LLC ("CW Financial" or the "Seller"), pursuant to a purchase agreement (the "Purchase Agreement"), dated as of June 7, 2012, by and among Walker & Dunlop, as parent, Walker & Dunlop, LLC (the "Purchaser"), CW Financial and CWCapital (the "Share Issuance Proposal") for aggregate consideration, net of certain expenses and adjustments, of approximately $220 million. Of the $220 million, $80 million will be paid in cash from the Purchaser (the "Cash Consideration"), and the remaining $140 million will be paid through the issuance of shares. The number of shares to be issued in connection with the Acquisition (the "Stock Consideration") is expected to equal 11,647,255 shares of Common Stock (which represents approximately 34 percent of the Company on a fully diluted basis), subject to

Table of Contents

adjustment as described below under "The Purchase Agreement" on page 44. A copy of the Purchase Agreement is attached as *Annex A* to this proxy statement and incorporated by reference herein.

(ii) A proposal to (a) approve amendments to the Company's 2010 Equity Incentive Plan (the "Equity Incentive Plan") that would increase the number of shares reserved and individual limits of categories of awards under, add additional performance measures applicable to, extend the termination date of, and make certain other related technical amendments to, the Equity Incentive Plan, and (b) re-approve material terms and conditions relating to performance-based compensation under the Equity Incentive Plan (the "Plan Amendment Proposal"). A copy of the Amended Equity Incentive Plan is attached to this proxy statement as *Annex H* and incorporated by reference herein.

(iii) A proposal to adjourn the Special Meeting, for up to 20 additional days, solely to the extent necessary to solicit additional proxies if there are insufficient votes to approve the Share Issuance Proposal at the time of the Special Meeting (the "Adjournment Proposal").

This document contains important information about the Acquisition, the Purchase Agreement, the other agreements entered into in connection with the Acquisition, the Equity Incentive Plan, and the Special Meeting, and you should read it, and the documents incorporated by reference into this proxy statement, carefully and in their entirety.

Why is the Company seeking stockholder approval for the Share Issuance Proposal and the Plan Amendment Proposal?

Because our Common Stock is listed on the New York Stock Exchange ("NYSE"), Walker & Dunlop is subject to the NYSE's rules and regulations. These rules require stockholder approval prior to the issuance of common stock, or of securities convertible into or exercisable for common stock, in any transaction or series of related transactions where, in general, the issuance involves more than 20 percent of the outstanding common stock or voting rights of a listed company (the "NYSE 20% Cap"). In connection with the purchase of all of the outstanding limited liability company interests of CWCapital, we will issue, in a private placement to the Seller, a number of shares expected to equal 11,647,255 shares of Common Stock (which represents approximately 34 percent of the Company on a fully diluted basis), subject to adjustment as described below under "The Purchase Agreement" on page 44.

As with the Share Issuance Proposal, the Plan Amendment Proposal requires stockholder approval pursuant to NYSE rules. Those rules provide that stockholder approval is required for any "material revision" to an equity compensation plan (which, under the Rule, includes material increase in the number of shares available under the plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction)).

Who is CWCapital?

CWCapital is one of the leading commercial real estate finance companies in the United States, with a primary focus on multifamily lending. CWCapital's clients are owners and developers of commercial real estate across the country. CWCapital has approximately 180 employees located in 14 offices across the United States. CWCapital originates and sells multifamily mortgage loans pursuant to the programs of Fannie Mae and the Federal Home Loan Mortgage Corporation ("Freddie Mac," and together with Fannie Mae, the government-sponsored enterprises, or the "GSEs"), the Government National Mortgage Association ("Ginnie Mae") and the Federal Housing Administration, a division of the U.S. Department of Housing and Urban Development (together with Ginnie Mae, "HUD"), with which CWCapital has long-established relationships. CWCapital is approved as a Fannie Mae Delegated Underwriting and Servicing ("DUS"™) lender nationally, a Freddie Mac Program Plus lender in Massachusetts, Georgia, Alaska, California, Idaho, Oregon, Washington, New Jersey, the New York City metro area, Fairfield and New Haven counties in Connecticut, and Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania and an approved Freddie Mac Targeted Affordable Housing lender. CWCapital is also a HUD Multifamily Accelerated Processing ("MAP") lender nationally, and a Ginnie Mae issuer. CWCapital is also a rated servicer and master servicer and services commercial loans for a number of commercial mortgage backed securities ("CMBS") trusts. CWCapital retains servicing rights and asset management responsibilities on substantially all loans that it sells to investors.

What happens if the Share Issuance Proposal and the Plan Amendment Proposal are approved?

If the Share Issuance Proposal is approved, the Company will issue the Stock Consideration (subject to adjustment as described under "The Purchase Agreement" on page 44) to the Seller pursuant to the terms and conditions of the Purchase Agreement. If the Plan Amendment Proposal is approved, the Company will amend the Equity Incentive Plan to (i) increase the number of shares reserved for issuance by 3,370,000 shares; (ii) change the individual limits to (A) 600,000 shares for grants of stock options and stock appreciation rights ("SARs") in any single calendar year, (B) 600,000 shares for awards other than stock options and SARs in any single calendar year, (C) three million dollars ($3,000,000) for the maximum amount that may be earned as an annual incentive award or other cash award in any calendar year in respect of performance, and (D) seven million dollars ($7,000,000) for the maximum amount that may be earned as a performance award or other cash award in any calendar year in respect of performance; (iii) add additional performance measures that may be used as performance goals; and (iv) extend the termination date of the Equity Incentive Plan until the tenth anniversary of the Special Meeting.

What happens if the Share Issuance Proposal and the Plan Amendment Proposal are not approved?

If stockholders do not approve the Share Issuance Proposal, the Company will consider its alternatives, including its right to terminate the Purchase Agreement in accordance with its terms. If stockholders do not approve the Plan Amendment Proposal, we will not amend the Equity Incentive Plan to increase the number of shares issuable in connection with awards under the plan.

Who is entitled to vote at the Special Meeting?

Only holders of record of our Common Stock at the close of business on [ ], 2012, the record date for the Special Meeting, are entitled to receive notice of the Special Meeting and to vote at the Special Meeting. Our Common Stock constitutes the only class of securities entitled to vote at the Special Meeting.

When you vote by signing and returning the proxy card, you appoint William M. Walker and Deborah A. Wilson as your representatives to vote your Common Stock at the Special Meeting. Mr. Walker and Ms. Wilson, or either of them, will vote your Common Stock as you instruct on your proxy card. Accordingly, your Common Stock will be voted whether or not you attend the Special Meeting. Even if you plan to attend the Special Meeting, we encourage you to vote by signing and returning your proxy card in advance.

Who can attend the Special Meeting?

If you are a holder of our Common Stock at the close of business on [ ], 2012, the record date for the Special Meeting, or a duly appointed proxy, you are authorized to attend the Special Meeting. You will need to present proof of share ownership and valid picture identification, such as a driver's license or passport, before being admitted. If your Common Stock is held beneficially in the name of a bank, broker or other holder of record (*i.e.*, street name), you must present proof of your

Table of Contents

ownership by presenting a bank or brokerage account statement reflecting your ownership as of the record date.

Cameras, recording equipment and other electronic devices will not be permitted at the Special Meeting. For directions to the Special Meeting, contact Investor Relations at (301) 634-2143.

What are the voting rights of stockholders?

Each share of Common Stock outstanding on the record date entitles its holder to cast one vote on each matter to be voted on.

How do I vote?

If you hold your shares of Common Stock directly (*i.e.*, not in a bank or brokerage account), you may vote by completing and returning the accompanying proxy card or by attending the meeting and voting in person.

If your shares of Common Stock are held in street name, you should follow the voting instructions provided to you by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by the internet or by telephone to your broker or nominee. If you provide specific instructions, your broker or nominee should vote your shares of Common Stock as directed. Additionally, if you want to vote in person and hold your shares in street name, you will need a legal proxy from your broker to vote at the Special Meeting.

What will constitute a quorum at the Special Meeting?

The presence at the Special Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of our Common Stock entitled to vote at the Special Meeting will constitute a quorum, permitting the stockholders to conduct business at the Special Meeting. We will include abstentions in the calculation of the number of shares considered to be present at the Special Meeting, including for purposes of determining the presence of a quorum at the meeting. Because no "routine" matters will be considered at the Special Meeting, absent instructions from the beneficial owner, brokers are not permitted to vote on any proposal (resulting in a "broker non-vote") and unvoted shares held in street name will not be counted as present for purposes of determining whether there is a quorum at the Special Meeting.

As of [ ], 2012, there were [ ] shares of Common Stock outstanding.

How many votes are needed to approve each of the proposals?

Under Section 312.03 of the NYSE Listed Company Manual, approval of either the Share Issuance Proposal or the Plan Amendment Proposal requires the affirmative vote of the holders of a majority of the votes cast at the Special Meeting, provided that the total votes cast (either for, against or abstaining) on the proposal represent over 50 percent of all outstanding securities entitled to vote on the proposal. Accordingly, either a failure to cast a vote for a proposal or a broker non-vote on a proposal could have the effect of a vote against the proposal if such failure to cast a vote or broker non-vote results in the total number of votes cast on the proposal not representing over 50 percent of all shares of Common Stock entitled to vote on the proposal. Approval of the Adjournment Proposal requires the affirmative vote of the holders of a majority of the votes cast at the Special Meeting.

Because approval of each of the Share Issuance Proposal and the Plan Amendment Proposal is based on the affirmative vote of a majority of votes cast, a stockholder's failure to vote its shares of Common Stock will not affect the outcome of the vote on the proposal, assuming 50 percent in interest of all securities entitled to vote on the proposal are voted on the proposal. Broker non-votes are not treated as votes cast with respect to the proposals. Accordingly, for each such proposal, a broker

Table of Contents

non-vote will not count as a "vote cast" for purposes of determining whether the proposal has been approved by a majority of votes cast on such proposal and, assuming that the total vote cast on such proposal represents over 50 percent in interest of all securities entitled to vote, broker non-votes will have no effect on the outcome of the vote on such proposal. Abstentions will be treated as "votes cast" for purposes of determining whether the total vote cast on each such proposal represents over 50 percent in interest of all securities entitled to vote on the proposal as required by the NYSE. Accordingly, an abstention will have the same effect as a vote "AGAINST" each such proposal for purposes of determining whether the proposal has been approved by a majority of votes cast on such proposal. Abstentions will have no effect on the Adjournment Proposal.

How are proxy card votes counted?

If the accompanying proxy card is properly signed and returned to us, and not revoked, the persons designated as proxy holders will vote the shares of Common Stock represented by that proxy as directed by you. If you return your signed proxy card but fail to indicate your voting preferences, the persons designated as proxy holders will vote the shares of Common Stock represented by that proxy as recommended by the Board.

How does the Board recommend that I vote?

The Board unanimously recommends that you vote **"FOR"** the approval of the Share Issuance Proposal, **"FOR"** the approval of the Plan Amendment Proposal and **"FOR"** the approval of the Adjournment Proposal.

Will my shares of Common Stock be voted if I do not provide my proxy and I do not attend the Special Meeting?

If you do not provide a proxy, vote your shares of Common Stock or instruct your broker how to vote, your shares will not be voted. Your broker may not vote your shares for non-routine matters if you do not provide the broker with voting instructions. The Share Issuance Proposal and the Plan Amendment Proposal are considered non-routine matters. As a result, if you hold shares of our Common Stock in street name and do not provide voting instructions to your broker, your shares will not be voted on these proposals, so please vote your shares.

May I change my vote after I return my proxy card?

Yes. You may change or revoke a previously granted proxy at any time before it is exercised by either (i) submitting a later-dated proxy, in person at the Special Meeting or by mail, or (ii) delivering instructions to our Secretary at our principal executive offices located at 7501 Wisconsin Avenue, Suite 1200E, Bethesda, Maryland 20814. Please note that attendance at the Special Meeting will not, in itself, constitute revocation of a previously granted proxy.

If your shares of Common Stock are held in street name, then you may submit new voting instructions by contacting your broker or nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy from your broker as described above.

Will any other matters be voted on at the Special Meeting?

As of the date of this proxy statement, we do not know of any other matters that will be presented for consideration at the Special Meeting other than those matters discussed in this proxy statement. If any other matters properly come before the Special Meeting and call for a stockholder vote, valid proxies will be voted by the holders of the proxies in accordance with the recommendation of the Board or, if no recommendation is given, in their own discretion.

Table of Contents

Who is soliciting my proxy?

This solicitation of proxies is made by and on behalf of our Board. We will pay the costs of soliciting proxies, which will consist primarily of the cost of printing, postage and handling. In addition to soliciting proxies by mail, our officers, directors and other employees, without additional compensation, may solicit proxies personally or by other appropriate means. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed for their reasonable out-of-pocket expenses incurred in sending proxy materials to beneficial owners.

What rights do I have if I vote against the proposals?

There are no appraisal or dissenter's rights with respect to any matter to be voted on at the Special Meeting.

What happens if the Special Meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Is there a list of stockholders entitled to vote at the Special Meeting?

The names of stockholders of record entitled to vote at the Special Meeting will be available at the Special Meeting and for ten days prior to the Special Meeting, between the hours of 9:00 a.m. and 4:30 p.m., at our principal executive offices at 7501 Wisconsin Avenue, Suite 1200E, Bethesda, Maryland 20814, by contacting the Secretary.

Who can help answer my questions?

If you have questions about any of the proposals, need additional copies of this proxy statement, or require assistance in voting your shares, you should contact Investor Relations, by phone at (301) 634-2143 to Walker & Dunlop, Inc., Attention: Investor Relations, 7501 Wisconsin Avenue, Suite 1200E, Bethesda, MD 20814, or by e-mail to charvey@walkerdunlop.com.

You should rely only on the information provided in this proxy statement. We have not authorized anyone to provide you with different information. You should assume that the information in this proxy statement is accurate only as of the date of this proxy statement or, where information relates to another date set forth in this proxy statement, then as of that date.

Table of Contents

SUMMARY

Below is a summary of the terms of the Share Acquisition Proposal and the Plan Amendment Proposal. This summary highlights selected information from this proxy statement, and may not contain all of the information that is important to you. To better understand the proposals described below, you should read this entire proxy statement carefully, as well as those additional documents to which we refer you. You may obtain the information incorporated by reference into this proxy statement by following the instructions set forth in "Where You Can Find More Information" on page 110 of this proxy statement.

Special Meeting (page 22)

The Special Meeting will be held on [ ], 2012, at 9:00 a.m., Eastern Daylight Time, at the Hilton Garden Inn, 7301 Waverly Street, Bethesda, Maryland 20814. The Special Meeting of our stockholders is being held to consider and vote on proposals to:

1. approve the Company's issuance of shares of our Common Stock, pursuant to the terms and conditions of the Purchase Agreement, in connection with the proposed acquisition of CWCapital by our indirect wholly owned operating subsidiary, the Purchaser, for aggregate consideration, net of certain expenses and adjustments, of approximately $220 million, consisting of $80 million paid in cash from the Purchaser and $140 million paid through the issuance of a number of shares expected to equal 11,647,255 shares of Common Stock (or approximately 34 percent of the Company on a fully diluted basis), subject to adjustment as described below under "The Purchase Agreement" on page 44;

2. (i) approve amendments to the Equity Incentive Plan that would increase the number of shares reserved and individual limits of categories of awards under, add additional performance measures applicable to, extend the termination date of, and make certain other related technical amendments to, the Equity Incentive Plan, and (ii) re-approve material terms and conditions relating to performance-based compensation under the Equity Incentive Plan;

3. adjourn the Special Meeting, for up to 20 additional days, solely to the extent necessary to solicit additional proxies if there are insufficient votes to approve the Share Issuance Proposal at the time of the Special Meeting; and

4. transact such other business as may properly come before the Special Meeting or any adjournment thereof.

The Acquisition (page 26)

On June 7, 2012, Walker & Dunlop and the Purchaser, an indirect subsidiary of Walker & Dunlop, entered into a Purchase Agreement with CWCapital, a Massachusetts limited liability company, and CW Financial, a Delaware limited liability company and the parent of CWCapital, pursuant to which the Purchaser will purchase all of the outstanding limited liability company interests of CWCapital.

On the terms and subject to the conditions of the Purchase Agreement, a portion of the Acquisition will be paid through the issuance of a number of shares expected to equal 11,647,255 shares of Common Stock (which represents approximately 34 percent of the Company on a fully diluted basis), subject to adjustment as described below under "The Purchase Agreement" on page 44.

The Companies (page 26)

Walker & Dunlop

Through its indirect operating subsidiary, the Purchaser, Walker & Dunlop is one of the leading commercial real estate finance companies in the United States, with a primary focus on multifamily lending. As Fannie Mae DUS , Freddie Mac Program Plus® and MAP- and LEAN-approved FHA

Table of Contents

lenders, the Multifamily and FHA Finance groups are focused on lending to property owners, investors, and developers of multifamily properties across the country. Walker & Dunlop's proprietary Interim Loan Program provides financing for multifamily properties that do not currently qualify for permanent financing. We also originate and service loans for a number of life insurance companies, commercial banks and other institutional investors, in which cases we do not fund the loan but rather act as a loan broker. Additionally, through our operating subsidiary entities, we provide institutional advisory, asset management and investment management services specializing in debt, structured debt and equity.

CWCapital

CWCapital is one of the leading commercial real estate finance companies in the United States, with a primary focus on multifamily lending. CWCapital's clients are owners and developers of commercial real estate across the country. CWCapital has approximately 180 employees located in 14 offices across the United States. CWCapital originates and sells multifamily mortgage loans pursuant to the programs of Fannie Mae and Freddie Mac, Ginnie Mae and HUD, with which CWCapital has long-established relationships. CWCapital is approved as a Fannie Mae DUS™ lender nationally, a Freddie Mac Program Plus lender in Massachusetts, Georgia, Alaska, California, Idaho, Oregon, Washington, New Jersey, the New York City metro area, Fairfield and New Haven counties in Connecticut, and Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania and an approved Freddie Mac Targeted Affordable Housing lender. CWCapital is also a MAP lender nationally, and a Ginnie Mae issuer. CWCapital is also a rated servicer and master servicer and services commercial loans for a number of CMBS trusts. CWCapital retains servicing rights and asset management responsibilities on substantially all loans that it sells to investors.

Board Recommendation (page 31)

Our Board unanimously recommends that you vote *FOR* the Share Issuance Proposal authorizing the issuance of shares of our Common Stock in connection with our proposed acquisition of CWCapital; *FOR* the Plan Amendment Proposal to amend the Equity Incentive Plan; and *FOR* the Adjournment Proposal.

Reasons for the Acquisition (page 31)

In evaluating the Acquisition, the Purchase Agreement and the related stock issuance, the Board consulted with our management and legal and financial advisors, and, in reaching its decision to approve the Acquisition and the Purchase Agreement, our Board discussed and considered a variety of factors weighing positively in favor of the Acquisition, including but not limited to, the following:

- management's view that our purchase of CWCapital would result in a combined company with an enhanced national origination platform, significantly larger servicing portfolio and broader scale of operations than we have on a standalone basis;
- CWCapital's loan origination capabilities, including its origination growth by loan product type since 2009;
- the size and volume by product type of CWCapital's servicing portfolio;
- CWCapital's quality employees;
- the consideration, taking into account its total value and composition; and
- the overall terms of the Purchase Agreement, including the parties' respective representations, warranties, covenants and conditions to their respective obligations in such agreement.

See the section entitled "Reasons for the Acquisition" on page 31 for further discussion of our Board's reasons for the merger.

Table of Contents

Opinion of Walker & Dunlop's Financial Advisor (page 34)

On June 7, 2012, Keefe, Bruyette & Woods, Inc. ("KBW"), our financial advisor in connection with the Acquisition, delivered its oral opinion to the Board, which was subsequently confirmed by delivery of a written opinion, dated June 7, 2012, to the effect that, as of such date, subject to assumptions and qualifications described in the opinion, the consideration to be paid by Walker & Dunlop in the Acquisition was fair, from a financial point of view, to Walker & Dunlop.

The full text of the KBW opinion is attached as *Annex B* to this proxy statement and incorporated by reference herein. **The KBW opinion was provided to the Board for the use and benefit of the Board in its evaluation of the Acquisition. The KBW opinion is directed only to the fairness from a financial point of view to Walker & Dunlop of the consideration paid by Walker & Dunlop in connection with the Acquisition. The opinion does not address Walker & Dunlop's underlying business decision to acquire CWCapital or the relative merits of the Acquisition as compared to any alternative business strategies or transactions that might be available to Walker & Dunlop.**

The opinion does not constitute a recommendation to any shareholder of Walker & Dunlop as to how such shareholder should vote with respect to the Acquisition or any other matter. Walker & Dunlop encourages you to read KBW's opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by KBW.

Risk Factors (page 69)

The Acquisition involves several risks that you should carefully consider when deciding how to vote at the Special Meeting, including but not limited to the risks that:

- The market price of our Common Stock may decline as a result of the Acquisition or the issuance of shares of our Common Stock;
- The Acquisition will result in changes to our Board and management that may affect the strategy and operations of the Company;
- The Acquisition is subject to a number of conditions, including the receipt of consents and clearances from domestic regulatory authorities that may not be obtained, may not be completed on a timely basis or may impose conditions that could have an adverse effect on us; and
- Failure to complete the Acquisition could negatively impact our business, financial condition, results of operations or stock prices.

For further information regarding these risks, please see the section entitled "Risk Factors."

Interests of Directors and Executive Officers in the Acquisition (page 40)

None of the Company's directors or executive officers has any substantial financial interest, direct or indirect, in any matter to be acted upon, other than being a director or executive officer and a stockholder of the Company. Information regarding security ownership and equity compensation of our directors and executive officers is hereby incorporated by reference to the material appearing under the captions "Voting Securities of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Company's 2012 annual stockholder meeting proxy statement, which was filed with the SEC on April 26, 2012.

Impact of the Stock Issuance on our Existing Stockholders (page 40)

If approved and implemented, the Share Issuance Proposal will dilute the ownership and voting interests of our existing stockholders. Assuming the issuance of approximately 11.6 million shares of

9

Common Stock in connection with the Acquisition and no other issuances of shares of our Common Stock as of the date of approval by our stockholders, CW Financial would thereby receive approximately 34 percent, on a fully-diluted basis, of our Common Stock issued and outstanding immediately after the closing of such Acquisition (the "Closing"). Therefore, the ownership and voting interests of our existing stockholders will be proportionately reduced.

Material United States Federal Income Tax Consequences of the Acquisition to Walker & Dunlop and its Stockholders

Because our stockholders do not participate in the Acquisition, our stockholders will not recognize gain or loss in connection with the Acquisition with respect to their stock in Walker & Dunlop. There will be no material federal income tax consequences to Walker & Dunlop as a result of the Acquisition.

Accounting Treatment of the Acquisition (page 40)

We prepare our financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). Under GAAP, the Acquisition would be accounted for by applying the acquisition method, with Walker & Dunlop treated as the accounting acquirer.

No Appraisal Rights (page 41)

None of our stockholders will be entitled to exercise appraisal rights or to demand payment for his, her or its shares of our Common Stock in connection with the Acquisition.

Regulatory Approvals and Clearances (page 41)

The completion of the Acquisition is subject to various other conditions, including obtaining the approval of certain governmental and quasi-governmental authorities (including, but not limited to, Fannie Mae, Freddie Mac, Ginnie Mae, HUD and the Federal Housing Administration of HUD), and the termination and expiration of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act").

Purchase Agreement (page 44)

On June 7, 2012, Walker & Dunlop, the Purchaser, CW Financial and CWCapital entered into the Purchase Agreement, providing for the acquisition of CWCapital by our subsidiary, the Purchaser.

On the terms and subject to the conditions of the Purchase Agreement, the Purchaser will acquire all of CW Financial's interests in CWCapital, for approximately $220 million, net of certain expenses and adjustments. Of the $220 million, $80 million will be paid in cash from the Purchaser, through a combination of existing capital and debt financing (the "Financing") anticipated to be obtained by the Company. The remaining $140 million will be paid through the issuance of a number of shares expected to equal 11,647,255 shares of Common Stock (which represents approximately 34 percent of the Company on a fully diluted basis), subject to adjustment as described below under "The Purchase Agreement" on page 44.

In connection with the transaction, CW Financial will be entitled to request an increase in the number of members of our Board from eight to eleven members, up to two of whom may be designated by CW Financial for each election of directors through the Company's annual meeting to be held in 2014. Our Board has adopted resolutions to automatically increase the number of members of our Board from eight to eleven members, effective as of the Closing.

Table of Contents

Voting Agreements (page 58)

Concurrently with the execution and delivery of the Purchase Agreement, William M. Walker, the Company's Chairman, President and Chief Executive Officer; Mallory Walker, Mr. Walker's father and the Company's second largest stockholder; Column Guaranteed LLC ("Column"), the Company's largest shareholder; Richard M. Lucas, Howard W. Smith, III, Richard C. Warner, and Deborah A. Wilson, all executive officers of the Company (together, the "Specified Stockholders"), have entered into voting agreements by which each has agreed to, among other things, vote in favor of the proposal to issue shares of the Company's stock in connection with the Purchase Agreement, against any proposal made to the stockholders of the Company that could reasonably be expected to result in any of the closing conditions in the Purchase Agreement not being fulfilled, and, other than Column, to appoint each executive officer of CW Financial as such Specified Stockholder's attorney-in-fact with respect to the voting for matters related to the Purchase Agreement. The voting agreements cover approximately 47 percent of the Common Stock. Further, the Specified Stockholders have agreed to certain customary restrictions on their ability to sell, encumber or otherwise dispose of their respective shares of Common Stock prior to the Closing (or, in the case of Column only, until the date of the Special Meeting or such earlier date on which the stockholder approval to issue shares of the Common Stock to CW Financial pursuant to the Purchase Agreement is obtained), subject to certain exceptions.

Registration Rights Agreement (page 60)

On the date on which the transactions contemplated by the Purchase Agreement close (the "Closing Date"), the Company will enter into a Registration Rights Agreement with CW Financial, pursuant to which the Company will agree, as soon as practicable after the Closing Date, to file with the SEC a registration statement to register for resale the shares of Common Stock to be issued to CW Financial pursuant to the Purchase Agreement.

Closing Agreement (page 63)

On the Closing Date, the Company will enter into a Closing Agreement with CW Financial and CWCapital. Under the terms of the Closing Agreement, CW Financial and its subsidiaries will generally be subject to "standstill" provisions for the period during which CW Financial has a right to appoint Board designees. In addition, each of the Company and its subsidiaries and CW Financial and its subsidiaries will be subject to restrictive covenants, including non-solicitation of employees, confidentiality and non-disparagement covenants, and, in the case of CW Financial and its subsidiaries, a non-competition covenant, for a period of two years after the Acquisition. The Closing Agreement also provides that CW Financial will not transfer any of the shares of Common Stock issued to it pursuant to the Purchase Agreement prior to the 180th day following the Closing Date, except for transfers to one or more of CW Financial's affiliates. See "Closing Agreement" beginning on page 63.

Summary Historical Financial Data (page 73)

Summary Historical Consolidated Financial Data of Walker & Dunlop

The following table presents summary historical consolidated financial data for Walker & Dunlop as of and for the quarters ended March 31, 2012 and 2011 and as of and for the years ended December 31, 2011, 2010 and 2009, derived from our unaudited condensed consolidated interim financial statements included in our quarterly report on Form 10-Q for the quarter ended March 31, 2012 and our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2011, which reports are incorporated by reference in this proxy statement. The summary financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and notes thereto for 2011, 2010 and 2009, which are included in our annual report on Form 10-K for the year ended December 31, 2011 and incorporated

Table of Contents

by reference in this proxy statement. The historical results do not necessarily indicate results expected for any future period.

(in thousands except share and per share amounts)	As of and for the Three Months Ended March 31,		As of and for the Year Ended December 31,		
	2012	2011	2011	2010	2009
	(unaudited)	(unaudited)			
Statement of Income Data(1)(2)					
Revenues					
Gains from mortgage banking activities	$ 19,802	$ 16,827	$ 102,712	$ 85,203	$ 57,946
Servicing fees	9,379	7,713	33,581	27,024	20,981
Net warehouse interest income	937	717	4,198	3,586	4,186
Escrow earnings and other interest income	539	370	1,474	2,056	1,769
Other	3,745	3,370	10,385	3,965	3,879
Total Revenues	$ 34,402	$ 28,997	$ 152,350	$ 121,834	$ 88,761
Expenses					
Personnel	$ 11,641	$ 9,207	$ 51,162	$ 42,459	$ 32,177
Amortization and depreciation	7,259	4,907	22,514	16,959	12,917
Provision for risk-sharing obligations, net	1,224	746	4,724	7,469	2,265
Interest expense on corporate debt	168	252	823	1,334	1,684
Other operating expenses	4,616	3,020	16,466	13,471	11,114
Total Expenses	$ 24,908	18,132	$ 95,689	$ 81,692	$ 60,157
Income from Operations	$ 9,494	$ 10,865	$ 56,661	$ 40,142	$ 28,604
Gain on Bargain Purchase(3)	$	$	$	$	$ 10,922
Income tax expense(1)(4)	$ 3,655	$ 4,226	$ 21,797	$ 31,915	$
Net income(1)(4)	$ 5,839	$ 6,639	$ 34,864	$ 8,227	$ 39,526
Basic earnings per share(1)(4)	$ 0.27	$ 0.31	$ 1.61	$ 0.55	
Diluted earnings per share(1)(4)	$ 0.27	$ 0.31	$ 1.60	$ 0.55	
Weighted average basic number of shares(4)	21,750,573	21,582,746	21,621,534	15,033,741	14,306,873
Weighted average diluted number of shares(4)	21,848,280	21,651,192	21,747,672	15,036,411	14,306,873
Pro forma net income data (unaudited)					
Income from operations, as reported				$ 40,142	$ 28,604
Pro forma income tax expense(1)(4)				15,535	11,070
Pro forma income from operations, net of tax(1)(4)				$ 24,607	$ 17,534
Bargain purchase gain					10,922
Pro forma net income(1)(4)				$ 24,607	$ 28,456
Pro forma basic and diluted earnings per share(1)(4)				$ 1.64	$ 1.99
Balance Sheet Data(1)					
Cash and cash equivalents	$ 40,811	$ 53,817	$ 53,817	$ 33,285	$ 10,390
Restricted cash and pledged securities	24,682	26,123	26,123	18,861	19,159
Mortgage servicing rights	142,621	137,079	137,079	106,189	81,427
Loans held for sale	268,207	268,167	268,167	302,851	101,939
Total Assets	517,456	522,596	522,596	485,620	243,732
Warehouse notes payable	236,685	218,426	218,426	248,419	96,612
Notes payable	22,969	23,869	23,869	27,621	32,961
Total Liabilities	347,407	358,944	358,944	360,978	173,921
Total Equity	170,049	163,652	163,652	124,642	69,811
Supplemental Data(2)					
Operating margin	28%	37%	37%	33%	32%

Total originations	$ 674,465	$ 507,497	$ 4,025,917	$ 3,171,618	$ 2,229,772
Servicing portfolio	$ 16,850,945	$ 14,856,510	$ 16,778,285	$ 14,619,294	$ 13,203,317

(1)

Our combined effective federal and state tax rate for the year ended December 31, 2011 was 38.5%. Our predecessor entities historically operated as pass-through tax entities (partnerships, LLCs and S-corporations). Accordingly, our historical earnings have resulted in only nominal federal and state corporate level expense. The tax liability has been the obligation of our owners. Upon closing of our initial public offering on December 20, 2010

Table of Contents

(the "IPO"), our tax status changed to a C-corporation and our income became subject to both federal and state corporate tax. Concurrent with the closing of certain formation transactions in connection with the IPO (through which Walker & Dunlop, LLC became a wholly owned subsidiary of Walker & Dunlop, Inc.) (the "Formation Transaction") and the Company's change in tax status, we recognized approximately $31.6 million of net deferred tax liabilities. For the 12 days following the closing of the Formation Transaction, we recognized income tax expense of $0.3 million. For the year ended December 31, 2010, we recognized aggregate tax expense of $31.9 million; and recognized net deferred tax liabilities of $30.2 million and current taxes payable of $1.7 million at December 31, 2010. Our combined effective federal and state tax rate for income during the 12 days following the closing of the Formation Transaction was 38.7%. We used a combined effective federal and state tax rate of 38.7% to estimate our presented pro forma tax expense, as if the predecessor entities had been tax paying corporations for the years ended December 31, 2010, 2009, 2008, and 2007. In 2009, the Company recorded a gain on bargain purchase of $10.9 million resulting from the January 2009 transaction through which, among other things, the Company, its affiliate Green Park Financial Limited Partnership, and Column Guaranteed LLC contributed their assets to the then newly formed Purchaser (the "Column transaction"). This gain is not considered taxable income, therefore the pro forma adjustment for income tax expense was calculated based upon income from operations, as reported, of $28.6 million.

(2) Statement of Income Data for the year ended December 31, 2009 includes the operating results for Walker & Dunlop, LLC's predecessor entities for January 2009 and the operating results for the combined entity for the 11 months following the Column transaction.

(3) We recognized a gain on bargain purchase of $10.9 million in connection with the Column transaction in January 2009. The gain on bargain purchase represents the difference between the fair value of the assets acquired and the purchase consideration paid.

(4) Concurrently with the closing of the IPO in December 2010, the investors in the Walker & Dunlop predecessor entities individually and collectively combined the predecessor entities that had been previously operated and reported as companies under common control. These investors exchanged their member interests for their *pro rata* interest, adjusted for company-specific debt included in the transaction, in 14,741,504 shares in the then newly formed Purchaser. This transaction was reported for accounting purposes as a combination of companies under common control and the stock issuance was reported as a stock-split. In accordance with U.S. generally accepted accounting principles, all financial reports have been prepared as if the stock-split and the combination of the companies under common control had occurred prior to the earliest period presented; certain amounts have been reclassified to conform to the new presentation. The predecessor companies continue to exist as wholly owned subsidiaries of the Company.

Summary Historical Financial Data of CWCapital

CWCapital is a wholly owned operating subsidiary of CW Financial. On September 1, 2010, Galaxy Acquisition LLC ("Galaxy") acquired all of the membership interests in CW Financial from the former members, which resulted in CWCapital becoming an indirect, wholly owned subsidiary of Galaxy. Galaxy is indirectly owned by funds managed by affiliates of Fortress Investment Group LLC ("Fortress"). Pursuant to a Transfer Agreement dated as of October 17, 2011, Galaxy transferred its interests in CW Financial to its wholly owned subsidiary, CWFS Holdings LLC. For purposes of the discussion herein, CWFS Holdings LLC is disregarded.

The summary historical financial information of CWCapital has been derived from the unaudited and audited financial statements of CWCapital, which financial statements (other than the financial statements for the year ended November 30, 2007) are included in this proxy statement beginning on page F-2. The summary historical financial information and supplemental data as of December 31, 2011 and 2010, and for the year ended December 31, 2011, and the four-month period ended December 31, 2010, have been derived from the audited financial statements of CWCapital for the period as of and following the acquisition of CW Financial by Galaxy on September 1, 2010 (the "Successor"). The summary historical financial information and supplemental data as of August 31, 2010 and November 30, 2009, 2008 and 2007, and for the nine-month period ended August 31, 2010, and the years ended November 30, 2009, 2008, and 2007, have been derived from the audited historical financial statements of CWCapital for the period prior to the acquisition of CW Financial by Galaxy on September 1, 2010 (the "Predecessor"). For further information on the acquisition, see "CWCapital Management's Discussion and Analysis of Financial Condition and Results of Operations Basis of Presentation."

Table of Contents

Certain financial statement items and the summary historical financial information of CWCapital have been presented below and in "CWCapital Management's Discussion and Analysis of Financial Condition and Results of Operations" to conform with the presentation contained in Walker & Dunlop's Annual Report on Form 10-K, incorporated by reference in this proxy statement. See "Selected Historical Financial Data of CWCapital LLC" for further details.

	Three Months Ended March 31, (in thousands)	
	2012	**2011**
	(unaudited)	**(unaudited)**
Revenues		
Gains from mortgage banking	$ 24,852	$ 17,748
Servicing fees	7,742	5,028
Net warehouse interest income	830	616
Escrow earnings and other interest income	351	490
Other revenue	1,207	842
Total Revenue	**$ 34,982**	**$ 24,724**
Expenses		
Compensation expense	12,366	9,010
FV adjustments MSRs, amortization and depreciation	13,165	3,681
Provision for risk-sharing obligations	(1,257)	228
Other operating expenses	3,744	3,960
Total Expenses	**$ 28,018**	**$ 16,879**
Net income(1)	**$ 6,964**	**$ 7,845**

	As of March 31, (in thousands)	
	2012	**2011**
	(unaudited)	**(unaudited)**
Balance Sheet Data		
Cash and cash equivalents	$ 24,165	$ 25,206
Restricted cash	24,179	5,066
Mortgage servicing rights	115,052	110,137
Loans held for sale	267,585	104,357
Other assets	44,885	35,322
Total Assets	**$ 475,866**	**$ 280,088**
Warehouse notes payable	260,732	100,622
Risk share liability	29,421	7,061
Other liabilities	34,980	32,286
Total Liabilities	**$ 325,133**	**$ 139,969**
Total equity	**$ 150,733**	**$ 140,119**

(1) No provision has been made in CWCapital's financial statements for federal income taxes because CWCapital is a disregarded entity for federal tax purposes and its results are included in Galaxy's tax filings with the Internal Revenue Service.

Table of Contents

	Successor(1)		Predecessor(2)			
	2011	2010	2010	2009	2008	2007
	(in thousands)		(in thousands)			
Revenues						
Gains from mortgage banking(3)	$ 102,454	$ 47,724	$ 37,021	$ 29,403	$ 10,461	$ 24,840
Servicing fees	22,869	6,200	11,713	13,901	10,924	12,097
Net warehouse interest income	2,886	921	713	2,451	6,214	4,826
Escrow earnings and other interest income	1,730	666	1,350	1,085	6,027	9,382
Other revenue	3,701	636	1,633	1,195	596	1,271
Total Revenue	**$ 133,640**	**$ 56,147**	**$ 52,430**	**$ 48,035**	**$ 34,222**	**$ 52,416**
Expenses						
Compensation expense	48,429	15,128	20,647	17,337	18,757	23,322
FV adjustments MSRs, amortization and depreciation(4)	40,279	957	11,066	12,112	10,808	13,270
Provision for risk-sharing obligations	1,689	25	2,992	1,605	372	(60)
Other operating expenses	17,376	5,550	22,095	37,092	19,856	36,081
Total Expenses	**$ 107,773**	**$ 21,660**	**$ 56,800**	**$ 68,146**	**$ 49,793**	**$ 72,613**
Net income (loss)(5)	**$ 25,867**	**$ 34,487**	**$ (4,370)**	**$ (20,111)**	**$ (15,571)**	**$ (20,197)**
Balance Sheet Data						
Cash and cash equivalents	21,773	32,812	25,542	12,240	27,920	38,802
Restricted cash	23,678	2,661	2,161	2,161	2,161	2,390
Mortgage servicing rights(4)	113,516	101,944	67,312	61,622	54,676	51,430
Loans held for sale	717,030	230,150	84,719	285,322	296,530	172,847
Other assets	61,685	43,798	44,599	9,093	7,342	11,181
Total Assets	**$ 937,682**	**$ 411,365**	**$ 224,333**	**$ 370,438**	**$ 388,629**	**$ 276,650**
Warehouse notes payable	695,216	232,552	82,452	285,303	296,027	173,959
Notes payable				2,138		10,000
Risk share liability	31,252	6,833	5,891	2,899	1,293	922
Other liabilities	67,637	39,706	46,453	13,557	26,158	44,802
Total Liabilities	**$ 794,105**	**$ 279,091**	**$ 134,796**	**$ 303,897**	**$ 323,478**	**$ 229,683**
Total equity	**$ 143,577**	**$ 132,274**	**$ 89,537**	**$ 66,541**	**$ 65,151**	**$ 46,967**

(1) Summary financial data for the Successor includes balance sheet data as of December 31, 2011 and 2010, and income statement data for the year ended December 31, 2011 and for the four-month period September 1, 2010 through December 31, 2010.

(2) The summary financial data for the Predecessor includes balance sheet data as of August 31, 2010, November 30, 2009, 2008 and 2007. The income statement data is for the nine-month period from December 1, 2009 through August 31, 2010, and years ended November 30, 2009, 2008, and 2007.

(3) Effective December 1, 2009, CWCapital changed its accounting policy to recognize the fair value of rate lock agreements ("rate locks"), commitments to sell securities and commitments to sell loans at inception, which includes the fair value of all future cash flows. Please refer to "CWCapital Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies" for further information.

(4) The Predecessor elected the amortization method to account for mortgage servicing rights ("MSRs") subsequent to initial recognition. The Successor elected to measure and carry its MSRs using the fair value option.

(5) No provision has been made in CWCapital's financial statements for federal income taxes because CWCapital is a disregarded entity for federal tax purposes and its results are included in Galaxy's tax filings with the Internal Revenue Service.

Table of Contents

Summary Unaudited Pro Forma Condensed Combined Financial Information (page 94)

The following summary pro forma condensed combined financial information is based on the respective historical statements of Walker & Dunlop and CWCapital after giving effect to the Acquisition described below and elsewhere in this proxy statement and the assumptions and adjustments described in the section entitled "Unaudited Pro Forma Combined Financial Information" beginning on page 94.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

(In thousands, except share and per share data)

	March 31, 2012				March 31, 2012
	Walker & Dunlop	**CWCapital**	**Pro Forma Adjustments**		**Pro Forma Combined**
Assets					
Cash and cash equivalents	$ 40,811	$ 24,165	$ (27,440)	A	$ 37,536
Restricted cash	5,083	24,179			29,262
Pledged securities, at fair value	19,599				19,599
Loans held for sale, at fair value	268,207	267,585			535,792
Loans held for investment	6,947				6,947
Servicing fees and other receivables, net	15,140	6,622			21,762
Derivative assets	10,264	32,136			42,400
Mortgage servicing rights	142,621	115,052	5,598	B	263,271
Goodwill			75,211	F	75,211
Intangible assets purchase related			3,402	D	3,402
Other assets	8,784	6,127	(1,800)	E	13,111
Total assets	$ 517,456	$ 475,866	$ 54,971		$ 1,048,293
Liabilities and Stockholders' Equity					
Liabilities					
Accounts payable and other accrued expenses	$ 56,216	$ 10,907	$ 75	D	$ 67,198
Performance deposits from borrowers	5,806	3,195			9,001
Derivative liabilities	762	20,878			21,640
Guaranty obligation, net of accumulated amortization	10,447		5,598	B	16,045
Allowance for risk-sharing obligations	14,522	29,421			43,943
Warehouse notes payable	236,685	260,732			497,417
Notes payable	22,969		60,031	A	83,000
Total liabilities	$ 347,407	$ 325,133	$ 65,704		$ 738,244
Equity					
Stockholders' equity:					
Preferred share.	$	$	$		$
Common stock, $0.01 par value.	218		116	C	334
Additional paid-in capital	81,747	105,280	34,604	C	221,631
Retained earnings	88,084	45,453	(45,453)	C	88,084
Total stockholders' equity	$ 170,049	$ 150,733	$ (10,733)		$ 310,049
Commitments and contingencies					
Total liabilities and stockholders' equity	$ 517,456	$ 475,866	$ 54,971		$ 1,048,293

Table of Contents

Notes to Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2012

A) To reflect the planned financing and cash consideration payment of $80 million upon consummation of the Acquisition, as well as a $7.5 million increase to the cash consideration pursuant to the terms of the excess working capital adjustment outlined in the Purchase Agreement, as of March 31, 2012. The level of working capital held by CWCapital is expected to fluctuate significantly and is expected to more closely approximate the target working capital, as defined in the Purchase Agreement, at the time of the Acquisition closing. Additionally, in conjunction with the closing of the Acquisition, we plan to repay our existing term debt with proceeds obtained through the Commitment Letter, increasing the total term debt outstanding at the close of the Acquisition to $83 million.

B) To reflect the gross presentation of the guaranty obligation associated with Fannie Mae DUS loans with risk-sharing obligations. CWCapital historically recorded the guaranty obligation as a component of the fair value of the associated mortgage servicing right ("MSR") resulting in a net MSR presentation; however, Walker & Dunlop records and presents the MSR and the guaranty obligation as an asset and a liability, respectively. The adjustment reflects the manner in which the MSRs and guaranty obligation will be presented following the consummation of the Acquisition.

C) To reflect the value of the Common Stock to be issued to CW Financial as partial consideration ($140 million, based upon the preliminary purchase price consideration) and the elimination of CWCapital's member's net equity balances.

D) To reflect the preliminary purchase price allocation recognition of certain intangible assets and liabilities above market lease liability, below market lease asset and a mortgage pipeline asset. The above and below market lease asset and liability reflect our estimation of the fair value of certain leases that will be assumed upon closing of the Acquisition and, upon closing, are expected to be amortized over the remaining lives of the respective leases. The mortgage pipeline asset recognized reflects the estimated fair value of the origination related fees and MSRs related to the loan applications and leads currently being processed by CWCapital. Due to the short lifecycle from application through rate lock, loan funding and subsequent sale, significant fluctuation is expected in the underlying application pipeline, and as a result, the value attributed to this asset at consummation of the Acquisition and final purchase price allocation may differ materially from the estimate provided herein.

E) To reflect the adjustment to values of certain intangible, prepaid and other assets based upon estimated fair value in the business combination.

F) To reflect the establishment of goodwill of $75.2 million estimated as a result of the preliminary purchase price allocation detailed below.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the three months ended March 31, 2012
(In thousands, except share and per share data)

	Walker & Dunlop	CWCapital	Pro Forma Adjustments		Pro Forma Combined
Revenues					
Gains from mortgage banking activities	$ 19,802	$ 24,852	$		$ 44,654
Servicing fees	9,379	7,742			17,121
Net warehouse interest income	937	830			1,767
Escrow earnings and other interest income	539	351			890
Other	3,745	1,207			4,952
Total revenues	$ 34,402	$ 34,982	$		$ 69,384
Expenses					
Personnel	$ 11,641	$ 12,366	$		$ 24,007
Amortization and depreciation	7,259	290			7,549
Provision for risk-sharing obligations	1,224	(1,257)			(33)
Fair value losses MSRs, net		12,875			12,875
Interest expense on corporate debt	168		579	1	747
Other operating expenses	4,616	3,744			8,360
Total expenses	$ 24,908	$ 28,018	$ 579		$ 53,505
Income from operations	$ 9,494	$ 6,964	$ (579)		$ 15,879
Income tax expense	3,655		2,458	2	6,113
Net income	$ 5,839	$ 6,964	$ (3,037)		$ 9,766
Basic and diluted earnings per share	$ 0.27				$ 0.29
Diluted earnings per share	$ 0.27				$ 0.29
Basic weighted average shares outstanding	21,750,573		11,647,255		33,397,828
Diluted weighted average shares outstanding	21,848,280		11,647,255		33,495,535

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the year ended December 31, 2011

(In thousands, except share and per share data)

	Walker & Dunlop	CWCapital	Pro Forma Adjustments		Pro Forma Combined
Revenues					
Gains from mortgage banking activities	$102,712	$102,454	$		$ 205,166
Servicing fees	33,581	22,869			56,450
Net warehouse interest income	4,198	2,886			7,084
Escrow earnings and other interest income	1,474	1,730			3,204
Other	10,385	3,701			14,086
Total revenues	$152,350	$133,640	$		$ 285,990
Expenses					
Personnel	$ 51,162	$ 48,429	$		$ 99,591
Amortization and depreciation	22,514	96			22,610
Provision for risk-sharing obligations	4,724	1,689			6,413
Fair value losses MSRs, net		40,183			40,183
Interest expense on corporate debt	823		2,372	1	3,195
Other operating expenses	16,466	17,376			33,842
Total expenses	$ 95,689	$107,773	$ 2,372		$ 205,834
Income from operations	$ 56,661	$ 25,867	$(2,372)		$ 80,156
Income tax expense	21,797		9,063	2	30,860

		&nb-indent: -10pt">Ending Balance	$	173	$51,382	$12,252	$8,490	$1,171	$63,576	$—	$137,044
Ending balance: individually evaluated for	$173		$	3,315	$—	$6	$—	$405	$—	$3,899	

impairment								
Ending balance: loans collectively evaluated for impairment	$—	$ 48,067	$12,252	$8,484	$1,171	$63,171	$—	$133,145

For the Three Months Ended March 31, 2013

	Commercial Construction	Commercial Real Estate	Commercial	Consumer Real Estate	Consumer	Residential	Unallocated	Total
	(dollars in thousands)							
Allowance for credit losses:								
Beginning Balance	$64	$ 579	$ 69	$ 99	$ 33	$ 906	$ —	$1,750
Charge-offs	—	(85)	—	(7)	(6)	(162)	—	(260)
Recoveries	—	10	—	15	4	12	—	41
Provision	25	5	18	(20)	(5)	121	—	144
Ending Balance	$89	$ 509	$ 87	$ 87	$ 26	$ 877	$ —	$1,675

Loan Balances Individually Evaluated for Impairment
As of March 31, 2013

	Commercial Construction	Commercial Real Estate	Commercial	Consumer Real Estate	Consumer	Residential	Unallocated	Total
	(dollars in thousands)							
Ending balance: individually evaluated for impairment	$—	$ 48	$ —	$ —	$ —	$ 89	$ —	$137
Ending balance: loans collectively evaluated for impairment	$89	$ 461	$ 87	$ 87	$ 26	$ 788	$ —	$1,538
Loans:								
Ending Balance	$2,618	$ 50,156	$ 9,473	$ 9,813	$ 1,156	$ 66,364	$ —	$139,580
Ending balance: individually evaluated for impairment	$173	$ 6,703	$ —	$ 9	$ —	$ 1,910	$ —	$8,795
Ending balance: loans collectively evaluated for impairment	$2,445	$ 43,453	$ 9,473	$ 9,804	$ 1,156	$ 64,454	$ —	$130,785

Note 6—DIVIDENDS

We are dependent primarily upon the Bank for our earnings and funds to pay dividends on our common stock. The payment of dividends also is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on the Bank’s earnings, capital requirements, financial condition and other factors considered by our Board of Directors.

Note 7—STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted ASC 718-10, "Shareholder Based Payments", which requires that the grant-date fair value of awarded stock options be expensed over the requisite service period. The Company's 1996 Stock Option Plan (the "1996 Plan"), which was approved by shareholders, permits the grant of share options to its employees for up to 127,491 shares of common stock (retroactively adjusted for the exchange ratio applied in the Company's 2005 stock offering and related second-step conversion). The Company's 2006 Stock-Based Incentive Plan (the "2006 Plan"), which was approved by shareholders on May 17, 2006, permits the award of up to 242,740 shares of common stock of which the maximum number to be granted as Stock Options is 173,386 and the maximum that can be granted as Restricted Stock Awards is 69,354. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Those option awards generally vest based on five years of continual service and have ten year contractual terms. Certain options provide for accelerated vesting if there is a change in control (as defined in the Plans).

During the three months ended March 31, 2014 no shares were awarded under either the 1996 Plan or the 2006 Plan. Shares issued under the plans and exercised pursuant to the exercise of the stock options awarded under the plans may be either authorized but unissued shares or reacquired shares held by the Company as treasury stock.

Stock Options - A summary of option activity under the Plans during the three months ended March 31, 2014 is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2014	150,030	$ 9.52	2.4	$ 0
Granted	0	N/A		
Exercised	0	N/A		
Forfeited or expired	(1,200)	$ 7.60		
Outstanding at March 31, 2014	148,830	$ 9.54	2.1	$ 0
Options Exercisable at March 31, 2014	148,830	$ 9.54	2.1	$ 0

The aggregate intrinsic value of outstanding options shown in the table above represents the total pretax intrinsic value (i.e. the difference between the Company's closing stock price of $5.00 on March 31, 2014 and the exercise price times the number of shares) that would have been received by the option holder had all option holders exercised their options on March 31, 2014. The amount changes based on the fair market value of the stock.

As of March 31, 2014 the Company had no unrecognized compensation cost related to nonvested options under the Plan. There were no shares which vested during the quarter ended March 31, 2014. In addition, there were no non-vested options as of March 31, 2014.

Restricted Stock Awards - As of March 31, 2014 all restricted stock awards have vested; therefore the Company had no unrecognized compensation cost under the Plans.

Note 8— COMMITMENTS TO EXTEND CREDIT

The Company is a party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, stand by letters of credit, and commercial lines of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheet. The Company's exposure to credit loss is represented by the contracted amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At March 31, 2014, the Company had outstanding commitments to originate loans of $19.2 million. These commitments included the following:

	As of March 31, 2014 (in thousands)
Commitments to grant loans	$ 6,544
Unfunded commitments under lines of credit	12,631
Commercial and standby letters of credit	59

Note 9— FAIR VALUE MEASUREMENTS

The fair value of financial assets and liabilities recorded at fair value is categorized in three levels. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. These levels are as follows:

Level 1 — Valuations based on quoted prices in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations of assets and liabilities traded in less active dealer or broker markets. Valuations include quoted prices for similar assets and liabilities traded in the same market; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3 — Assets and liabilities with valuations that include methodologies and assumptions that may not be readily observable, including option pricing models, discounted cash flow models, yield curves and similar techniques. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities, but in all cases are corroborated by external data, which may include third-party pricing services.

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and December, 31, 2013, and the valuation techniques used by the Company to determine those fair values.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at March 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2014
	(dollars in thousands)			
Assets				
Investment securities- available-for-sale:				
US Treasury securities and obligations of U.S. government corporations and agencies	$—	$ 10,285	$ —	$10,285
Municipal obligations	—	14,645	—	14,645
Corporate bonds & other obligations	—	1,082	—	1,082
Mortgage-backed securities	—	30,420	—	30,420
Equity securities	—	10	—	10
Total investment securities - available-for-sale	$—	$ 56,442	$ —	$56,442

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as of December 31, 2013
	(dollars in thousands)			
Assets				
Investment securities - available-for-sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$—	$ 7,042	$ —	$ 7,042

Municipal obligations	—	13,609	—	13,609
Corporate bonds & other obligations	—	1,097	—	1,097
Mortgage-backed securities	—	28,603	—	28,603
Equity securities	—	7	—	7
Total investment securities - available-for-sale	$—	$ 50,358	$ —	$ 50,358

Fair value measurements of U.S. Government agencies and mortgage backed securities use pricing models that vary and may consider various assumptions, including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures.

There were no transfers between Levels 1 and 2 of the fair value hierarchy from December, 31, 2013 to March 31, 2014. For the available for sale securities, the Company obtains fair value measurements from an independent third-party service.

The Company has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. At March 31, 2014 and December, 31, 2013, such assets consist primarily of impaired loans and other real estate owned. The Company has estimated the fair values of these assets using Level 3 inputs, specifically discounted cash flow projections.

Assets Measured at Fair Value on a Nonrecurring Basis at March 31, 2014

	Balance at March 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(dollars in thousands)			
Impaired loans accounted for under FASB ASC 310-10	$3,488	$ —	$ —	$ 3,488
Other real estate owned -residential mortgages	443	—	—	443
Other Real estate owned - commercial	472	—	—	472
Other repossessed assets	1,023	—	—	1,023
Total assets at fair value on a non-recurring basis				$ 5,426

Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2013

	Balance at December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(dollars in thousands)			
Impaired loans accounted for under FASB ASC 310-10	$5,352	$ —	$ —	$ 5,352
Other real estate owned -residential mortgages	285	—	—	285
Other real estate owned - commercial	472	—	—	472
Other repossessed assets	1,023	—	—	1,023
Total assets at fair value on a non-recurring basis				$ 7,132

A loan is considered impaired when, based on current information and events it is probable the Company will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the original loan agreement. Loans identified as impaired are measured using one of three methods: the loan's observable market price; the fair value of collateral; or the present value of expected future cash flows. For each period presented, no loans were measured using the loan's observable market price. Collateral may be in the form of real estate and/or business assets such as accounts receivable, inventory or business equipment.

Real estate is the collateral for the vast majority of our secured lending. The real estate's value is based on observable market prices and market values provided by independent, third-party licensed or certified appraisers, selected from a list of Company-approved appraisers. Appraisals for all types of collateral-dependent loans are typically requested within 30 days of a loan being deemed impaired. The fair value of impaired loans with specific allocations is essentially based on recent real estate appraisals less costs to sell. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised collateral values may be further discounted based on management's historical knowledge of the property and/or changes in market conditions from the time of valuation or management's plan for disposal. Subsequent evaluations of collateral are performed on a loan by loan basis as additional facts and circumstances related to the individual credit require, but not less than annually.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents - The carrying amounts of cash and short-term instruments approximate fair values.

Investment Securities - Fair value for the Bank's investment securities was determined using the market value in active markets, where available. When not available, fair values are estimated using the fair value hierarchy. In the fair value hierarchy, Level 2 fair values are determined using observable inputs other than Level 1 market prices, such as quoted prices for similar assets. Level 3 values are determined using unobservable inputs, such as discounted cash flow projections.

Loans Receivable - For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (e.g., one- to four-family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for other loans (e.g., commercial real estate and investment property mortgage loans, commercial, and industrial loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Loans Held For Sale - Fair values of mortgage loans held for sale are based on commitments on hand from investors or prevailing market prices.

Federal Home Loan Bank Stock - The carrying value of Federal Home Loan Bank stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

Deposit Liabilities - The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank Advances - The estimated fair value of the fixed and variable rate Federal Home Loan Bank advances are estimated by discounting the related cash flows using the rates currently available for similarly structured borrowings with similar maturities.

Accrued Interest - The carrying amounts of accrued interest approximate fair value.

The estimated fair values and related carrying or notional amounts of the Company's financial instruments are as follows:

March 31, 2014	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(dollars in thousands)				
Financial assets:					
Cash and cash equivalents	$3,147	$3,147	$—	$—	$3,147
Securities available for sale	56,442	—	56,442	—	56,442
Securities held to maturity	2,255	—	2,395	—	2,395
Loans held for sale	236	—	—	240	240
Loans receivable - net	135,326	—	—	134,043	134,043
Federal Home Loan Bank stock	3,266	—	3,266	—	3,266
Accrued interest receivable	828	—	—	828	828
Financial liabilities:					
Customer deposits	165,720	—	166,214	—	166,214
Federal Home Loan Bank advances	24,233	—	23,927	—	23,927
Accrued interest payable	88	—	—	88	88

December 31, 2013	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(dollars in thousands)				
Financial assets:					

Cash and cash equivalents	$2,766	$2,766	$—	$—	$2,766
Securities available for sale	50,358	—	50,358	—	50,358
Securities held to maturity	2,255	—	2,400	—	2,400
Loans held for sale	175	—	—	178	178
Loans receivable - net	136,315	—	—	135,172	135,172
Federal Home Loan Bank stock	3,266	—	3,266	—	3,266
Accrued interest receivable	745	—	—	745	745
Financial liabilities:					
Customer deposits	160,029	—	160,784	—	160,784
Federal Home Loan Bank advances	24,813	—	24,458	—	24,458
Accrued interest payable	89	—	—	89	89

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

AND SUBSIDIARIES

PART - FINANCIAL INFORMATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion compares the consolidated financial condition of the Company at March 31, 2014 and December, 31, 2013, and the results of operations for the three-month periods ended March 31, 2014 and 2013. This discussion should be read in conjunction with the interim financial statements and footnotes included herein.

OVERVIEW

The Company operates as a community-oriented financial institution that accepts deposits from the general public in the communities surrounding its 8 full-service banking offices. The deposited funds, together with funds generated from operations and borrowings, are used by the Company to originate loans and for other investments. The Company's principal lending activity is the origination of mortgage loans for the purchase or refinancing of one-to-four family residential properties. The Company also originates commercial and multi-family real estate loans, construction loans, commercial loans, automobile loans, home equity loans and lines of credit, and a variety of other consumer loans.

For the quarter ended March 31, 2014, the Company had net income of $221,000, or $0.08 per basic and diluted share, compared to $68,000, or $0.02 per basic and diluted share, for the year earlier period, an increase of $153,000.

Total assets increased $5.6 million, or 2.7%, from $209.7 million as of December, 31, 2013 to $215.3 million as of March 31, 2014. Cash and cash equivalents increased $381,000, investment securities available for sale increased $6.0 million and net loans receivable decreased $989,000 during the quarter. Total deposits increased $5.7 million from December, 31, 2013 to March 31, 2014 while Federal Home Loan Bank advances decreased $580,000 and stockholders' equity increased $436,000.

CRITICAL ACCOUNTING POLICIES

As of March 31, 2014, there have been no changes in the critical accounting policies as disclosed in the Company's Form 10-K for the year ended December, 31, 2013. The Company's critical accounting policies are described in the Management's Discussion and Analysis and financial sections of its 2013 Annual Report. Management believes its critical accounting policies relate to the Company's allowance for loan losses, mortgage servicing rights, valuation of deferred tax assets and impairment of intangible assets.

COMPARISON OF FINANCIAL CONDITION AT MARCH 31, 2014 AND DECEMBER, 31, 2013

ASSETS: Total assets increased $5.6 million, or 2.7%, to $215.3 million at March 31, 2014 from $209.7 million at December, 31, 2013. Net loans receivable decreased $989,000, or 0.7%, to $135.3 million at March 31, 2014 from $136.3 million at December, 31, 2013, resulting primarily from decreases of $266,000, $233,000 and $503,000 in our mortgage, consumer and commercial loan portfolios, respectfully. Investment securities AFS increased $6.0 million from $50.4 million at December, 31, 2013 to $56.4 million at March 31, 2014, due primarily to purchases of $3.3 million in agency securities and $1.5 million in mortgage-backed securities during the period. Cash and cash equivalents increased $381,000, or 13.8%, to $3.1 million at March 31, 2014 from $2.8 million at December, 31, 2013.

LIABILITIES: Deposits increased $5.7 million to $165.7 million at March 31, 2014 from $160.0 million at December, 31, 2013. During this time period, we experienced an increase of $6.4 million in our savings, money market and checking accounts, which was partially offset by a decrease of $707,000 in our certificates of deposit. FHLB advances decreased $580,000, or 2.3%, to $24.2 million at March 31, 2014 from $24.8 million at December, 31, 2013, as proceeds from loan payments and payoffs, as well as cash on hand, were used to pay off maturing advances.

EQUITY: Stockholders' equity increased $436,000 to $24.0 million at March 31, 2014 from $23.5 million at December, 31, 2013. The increase was due to net earnings for the three-month period of $221,000 and an increase of $273,000 in the unrealized gain on available-for-sale investment securities. Partially offsetting these increases was a dividend payment of $58,000.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

General: Net income increased $153,000 to $221,000 for the three months ended March 31, 2014 from $68,000 for the quarter ended March 31, 2013.

Interest Income: Interest income decreased to $2.0 million for the three months ended March 31, 2014 from $2.1 million for the comparable period in 2013 as the average balance of interest earning assets increased $503,000 from $196.3 million for the three months ended March 31, 2013 to $196.8 million for the three months ended March 31, 2014 while the average yield on interest earning assets decreased 10 basis points from 4.28% to 4.18%. The yield on our mortgage loan portfolio decreased by 26 basis points to 4.88% for the three months period to period ended March 31, 2014 from 5.14% for the year-earlier period, while the average balance of that portfolio decreased $3.2 million, to $63.6 million, period over period. The average balance of our non-mortgage loan portfolio decreased $467,000 to $73.5 million for the three months ended March 31, 2014 from the 2013 quarter, while the yield on this portfolio decreased 9 basis points to 5.16% from 5.25% period over period. The average balance of our investment portfolio increased $3.6 million for the three months ended March 31, 2014 to the same period in 2013 and the yield on our investments increased 24 basis points period over period.

Interest Expense: Interest expense decreased to $249,000 for the three months ended March 31, 2014 from $321,000 for the three months ended March 31, 2013. The decrease was due in part to a $3.8 million decrease in the average balance of our interest-bearing liabilities and a decrease in our overall cost of funds of 16 basis points from 0.78% to 0.62% period over period. Most notably, the average balance of our of REPO sweep deposit accounts decreased $3.9 million and the cost of these deposits decreased 21 basis points when compared to the same period in 2013, as we discontinued offering this product in the fourth quarter of 2013. The average balance of Federal Home Loan Bank advances decreased $3.0 million for the three-month period ended March 31, 2014 from the same period in 2013. The cost of these advances decreased 40 basis points from 1.47% to 1.07% period over period. In addition, our average balance in certificates of deposit decreased $6.2 million with the cost of these deposits decreasing 13 basis points from 1.09% to 0.96% for the quarter ended March 31, 2013 and March 31, 2014, respectively. These decreases were partially offset by average balance increases of $7.3 million in money market and NOW accounts and $2.0 million in savings deposits when comparing the three months ended March 31, 2014 to the same period in 2013.

22

The following table sets forth information regarding the changes in interest income and interest expense of the Bank during the periods indicated.

	Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013 Increase (Decrease) Due to:		
	Volume	Rate	Total
	(In thousands)		
Interest-earning assets:			
Loans receivable	$(72)	$(34)	$(106)
Investment securities	18	31	$49
Other investments	3	14	$17
Total interest-earning assets	(51)	11	(40)
Interest-bearing liabilities:			
Savings Deposits	—	—	—
Money Market/NOW accounts	4	(1)	3
Certificates of Deposit	(24)	(14)	(38)
Deposits	(20)	(15)	(35)
Borrowed funds	(611)	574	(37)
Total interest-bearing liabilities	(631)	559	(72)
Change in net interest income	$580	$(548)	$32

Net Interest Income: Net interest income increased slightly by $32,000 and remained at $1.8 million for the three months ended March 31, 2014 and March 31, 2013. For the three months ended March 31, 2014, average interest-earning assets increased $503,000, or 0.3%, to $196.8 million when compared to the same period in 2013. Average interest-bearing liabilities decreased $3.8 million, or 2.3%, to $164.5 million for the quarter ended March 31, 2014 from $168.3 million for the quarter ended March 31, 2013. The Company saw the average balance of core interest-bearing deposits increase $9.3 million for the three months ended March 31, 2014 compared to the same period in 2013, while the average balance of our certificates of deposit decreased $6.2 million period over period. In addition, the average balance of non-interest bearing deposits increased $3.2 million for the three-month period ended March 31, 2014 compared to the same period in 2013. The yield on average interest-earning assets decreased to 4.18% for the three month period ended March 31, 2014 from 4.28% for the same period ended in 2013 as we continued to see a decline in loan rates period over period. In addition, the cost of average interest-bearing liabilities decreased to 0.62% from 0.78% for the three month periods ended March 31, 2014 and 2013, respectively. Our interest rate spread increased 6 basis points to 3.56% from 3.50% and our net interest margin increased 5 basis points to 3.66% for the three-month period ended March 31, 2014 from 3.61% for same period in 2013. At March 31, 2014 the Company had outstanding loan commitments of $19.2 million. During the three months ended March 31, 2014 the Company grew average interest bearing core deposits by $7.7 million.

Provision for Loan Losses: The allowance for loan losses is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The provision for loan losses for the three-month period ended March 31, 2014 was $16,000, as compared to $144,000 for the three months ended March 31, 2013. Prior to 2012, our provision for loan losses was based on an eight-quarter rolling average of actual net charge-offs adjusted for environmental factors for each segment of loans in our portfolio. Management has decided that eight quarters is no longer reflective of the inherent loss in the loan portfolios. Beginning with the quarter ended March 31, 2013, we began moving towards a twelve-quarter rolling average of actual net charge-offs by adding an additional quarter of net charge-offs each quarter in 2013. By the end of 2013 we were using a twelve-quarter rolling average. During the quarter ended March 31, 2014, we reduced specific reserves of approximately $44,000 on one commercial credit relationship, which was classified as Troubled Debt Restructurings, as a result of securing a guarantee from the Small Business Administration on this credit. By comparison, the first quarter of 2014 had fewer loans requiring specific reserves along with lower levels of charge-offs. The provision was based on management's review of the components of the overall loan portfolio, the status of non-performing loans and various subjective factors.

The following table sets forth the details of our loan portfolio at the dates indicated:

	Portfolio Balance	Delinquent Loans Over 90 Days	Non-Accrual Loans
	(Dollars in thousands)		
At March 31, 2014			
Real estate loans:			
One - to four - family	$63,576	$ —	$ 329
Commercial construction real estate	173	—	173
Commercial Mortgages	51,382	—	1,453
Home equity lines of credit/ Junior liens	8,490	—	—
Commercial loans	12,252	—	—
Consumer loans	1,171	—	6
Total gross loans	$137,044	$ —	$ 1,961
Less:			
Net deferred loan fees	(260)	—	(1)
Allowance for loan losses	(1,458)	—	(196)
Total loans, net	$135,326	$ —	$ 1,764
At December 31, 2013			
Real estate loans:			
Construction	$1,756	$ —	$ 173
One - to four - family	62,256	24	651
Commercial Mortgages	51,726	—	1,454
Home equity lines of credit/Junior liens	8,730	—	7
Commercial loans	12,451	—	—
Consumer loans	1,165	2	—

Total gross loans	$138,084	$ 26	$ 2,285
Less:			
Net deferred loan fees	(297)	—	(1)
Allowance for loan losses	(1,472)	—	(200)
Total loans, net	$136,315	$ 26	$ 2,084

Non Interest Income: Non-interest income decreased $104,000, or 23.6%, to $336,000 for the quarter ended March 31, 2014 from $440,000 in the 2013 quarter. Mortgage banking activities decreased $75,000, service charges and other fees decreased $11,000 and loss on sale of real estate owned and other repossessed assets increased $11,000 for the three months ended March 31, 2014 when compared to the same period a year earlier.

Non Interest Expense: Non interest expense decreased $98,000 to $1.9 million for the 2014 period from $2.0 million for the three months ended March 31, 2013. The decrease occurred in the following areas; compensation and employee benefits decreased $50,000 period over period, as we reduced staffing and self insured a portion of our health insurance premiums, $15,000 in service bureau expense, $11,000 in marketing expense and $41,000 in expenses related to troubled credits and real estate owned. In addition, other expenses decreased $40,000 related commercial loan expenses. Partially offsetting these decreases was an increase of $56,000 in professional service fees primarily related to the proposed merger.

Income Taxes: The Company recorded no federal income tax expense for the three months ended March 31, 2014 and March 31, 2013 as a result of the valuation allowance against the Company's deferred tax asset.

The Company will continue to evaluate the future benefits from these carryforwards and at such time as it becomes "more likely than not" that they would be utilized prior to expiration, the Company will recognize the additional benefits as an adjustment to the valuation allowance. The net operating loss carryforwards expire twenty years from the date they originated. These carryforwards, if not utilized, will fully expire in the year 2033.

LIQUIDITY

The Company's current liquidity position is more than adequate to fund expected asset growth. The Company's primary sources of funds are deposits, FHLB advances, proceeds from principal and interest payments, prepayments on loans and mortgage-backed and investment securities and sale of long-term fixed-rate mortgages into the secondary market. While maturities and scheduled amortization of loans and mortgage-backed securities are a predictable source of funds, deposit flows, mortgage prepayments and sale of mortgage loans into the secondary market are greatly influenced by general interest rates, economic conditions and competition.

Liquidity represents the amount of an institution's assets that can be quickly and easily converted into cash without significant loss. The most liquid assets are cash, short-term U.S. Government securities, U.S. Government agency securities and certificates of deposit. The Company is required to maintain sufficient levels of liquidity as defined by OCC regulations. This requirement may be varied at the direction of the OCC. Regulations currently in effect require that the Bank maintain sufficient liquidity to ensure its safe and sound operation. The Company's objective for liquidity is to be above 20%. Liquidity as of March 31, 2014 was $65.1 million, or 50.4%, compared to $53.4 million, or 42.4%, at December, 31, 2013. The levels of these assets are dependent on the Company's operating, financing, lending and investing activities during any given period. The liquidity calculated by the Company includes additional borrowing capacity available with the FHLB. This borrowing capacity is based on pledged collateral. As of March 31, 2014, the Bank had unused borrowing capacity totaling $28.5 million at the FHLB based on pledged collateral.

The Company intends to retain for its portfolio certain originated residential mortgage loans (primarily adjustable rate and shorter term fixed rate mortgage loans) and to generally sell the remainder of these loans. The Bank will from time to time participate in or originate commercial real estate loans, including real estate development loans. During the three month period ended March 31, 2014, the Company originated $3.8 million in residential mortgage loans, of which $2.5 million were retained in portfolio while the remainder were sold or are being held for sale. This compares to $6.9 million in originations during the first three months of 2013 of which $2.5 million were retained in portfolio. The Company also originated $5.5 million of commercial loans and $439,000 of consumer loans in the first three months of 2014 compared to $6.2 million of commercial loans and $253,000 of consumer loans for the same period in 2013. Of total loans receivable, excluding loans held for sale, mortgage loans comprised 46.4% and 47.6%, commercial loans 46.6% and 44.6% and consumer loans 7.0% and 7.9% at March 31, 2014 and March 31, 2013, respectively.

Deposits are a primary source of ;funds for use in lending and for other general business purposes. At March 31, 2014 deposits funded 77.0% of the Company’s total assets compared to 76.3% at December, 31, 2013. Certificates of deposit scheduled to mature in less than one year at March 31, 2014 totaled $31.3 million. Management believes that a significant portion of such deposits will remain with the Bank. The Bank monitors the deposit rates offered by competition in the area and sets rates that take into account the prevailing market conditions along with the Bank’s liquidity position. Future liquidity needs are expected to be satisfied through the use of FHLB borrowings, as necessary, and through growth in deposits. Management does not generally plan on paying above-market rates on deposit products, although from time-to-time we may do so as liquidity needs dictate.

Borrowings may be used to compensate for seasonal or other reductions in normal sources of funds or for deposit outflows at more than projected levels. Borrowings may also be used on a longer-term basis to support increased lending or investment activities. At March 31, 2014 the Company had $24.2 million in FHLB advances, of which $5.4 million will mature during 2014. FHLB borrowings as a percentage of total assets were 11.3% at March 31, 2014 as compared to 11.8% at December, 31, 2013. The Company has sufficient available collateral to obtain additional advances of $28.5 million.

CAPITAL RESOURCES

Stockholders' equity at March 31, 2014 was $24.0 million, or 11.1% of total assets, compared to $23.5 million, or 11.2% of total assets, at December, 31, 2013 (See "Consolidated Statement of Changes in Stockholders' Equity"). The Bank is subject to certain capital-to-assets levels in accordance with OCC regulations. The Bank exceeded all regulatory capital requirements at March 31, 2014. The following table summarizes the Bank's actual capital with the regulatory capital requirements and with requirements to be "Well Capitalized" under prompt corrective action provisions, as of March 31, 2014:

	Actual		Regulatory Minimum		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	Dollars in Thousands					
Tier 1 (Core) capital (to adjusted assets)	$22,773	10.61%	$8,586	4.00%	$10,732	5.00 %
Total risk-based capital (to risk- weighted assets)	$24,231	18.14%	$10,686	8.00%	$13,357	10.00%
Tier 1 risk-based capital (to risk weighted assets)	$22,773	17.05%	$5,343	4.00%	$8,014	6.00 %
Tangible Capital (to tangible assets)	$22,773	10.61%	$3,220	1.50%	$4,293	2.00 %

ITEM 3. QUANTITATIVE AND QUALITITIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Company's Chief Executive Officer and VP - Director of Financial Reporting & Accounting, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d–15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and VP - Director of Financial Reporting & Accounting concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 (1) is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the Company's first quarter of 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

FORM 10-Q

Quarter Ended March 31, 2014

PART II – OTHER INFORMATION

Item 1 -	Legal Proceedings:
	At March 31, 2014 there were no material legal proceedings to which the Company is a party or of which any of its property is subject. From time to time the Company is a party to various legal proceedings incident to its business.
Item 1A -	Risk Factors: Not applicable to smaller reporting companies
Item 2 -	Unregistered Sales of Equity Securities and Use of Proceeds:
	(a) Not applicable (b) Not applicable (c) Not applicable
Item 3 -	Defaults upon Senior Securities:

Not applicable.

Item 4 -	Mine Safety Disclosures
	Not applicable
Item 5 -	Other Information:
	Not applicable
Item 6 -	Exhibits
	Exhibit 31.1 Certification by Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
	Exhibit 31.2 Certification by VP - Director of Financial Reporting & Accounting pursuant to section 302 of the Sarbanes-Oxley Act of 2002
	Exhibit 32.1 Statement of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	Exhibit 32.2 Statement of VP - Director of Financial Reporting & Accounting furnished pursuant to Section 906 of

the
Sarbanes-Oxley
Act of 2002

101.INS	XBRL Taxonomy Instance Document
101.SCH	XBRL Taxonomy Extension Schema Linkbase
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

FORM 10-Q

Quarter Ended March 31, 2014

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

By: /s/ Michael W. Mahler
Michael W. Mahler
President and Chief Executive Officer

Date: May 13, 2014

By: /s/ Eileen M Budnick
Eileen M. Budnick, VP - Director of Financial Reporting & Accounting
(Principal Financial and Accounting Officer)

Date: May 13, 2014