PRINCETON MORTGAGE

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As UWM attempts to build an empire, brokers and rivals weigh in on Mat Ishbia's $16B plan
We talked to Ishbia, execs at two lenders, and nearly a dozen LOs to answer the question: What would a post-IPO UWM look like?

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A year ago, long before anyone talked about a coronavirus, **Rocket Companies**' stock performance, or the curious acronym S-P-A-C, Mat Ishbia had set his plan in motion.

Ishbia's company, **United Wholesale Mortgage**, had by that point climbed the ranks to become the second-biggest mortgage originator in the country. UWM issued nearly 350,000 mortgages worth $108 billion in 2019, about three times more than the year prior. He hired thousands of workers at UWM's 60-acre headquarters outside Detroit, championed the resurrection of the independent mortgage broker, rolled out a suite of new technologies, had a few dust-ups with hometown rival Quicken Loans (now Rocket), and generally ate the lunch of legacy banks and Wall Street-backed competitors alike.

But Ishbia was still biding his time. To execute upon his vision, he needed capital. Lots of it. Ishbia needed to go public.

And so, a day after Rocket announced a rebranding of its wholesale/partner channel, Ishbia dropped his bombshell: the 40-year-old executive would merge his company with an Alec Gores-created SPAC, giving him a 94% stake in a new residential mortgage company valued at $16.1 billion. As part of the merger, the new company would receive nearly $1 billion in fresh capital to roll out new technology, hire even more workers, and scale up.

"We decided last September that the best way to help mortgage brokers grow and help our team members be a part of something special and really invest in technology was by going public," Ishbia told HousingWire in an interview shortly after the IPO announcement. "This is a big deal, it's big for all of us. And I'm excited for the opportunity."

To measure the impact of UWM going public, HousingWire interviewed Ishbia, two rival executives, and nearly a dozen independent mortgage brokers, the majority of whom requested anonymity to speak openly and honestly about the company.

It's a simple question: Do you believe in Mat?

From the stage of the **Association of Independent Mortgage Experts**' virtual conference on Friday, Ishbia laid out his strategy for growth. Between occasional sips of water, speaking a mile a minute, he offered the audience of brokers a simple, unifying message: *we are a family*. In fact, he would utter the word "family" 55 times during his hour-long speech.

"This is the place to be – the AIME community, the brokers-are-better mentality, the team, the family we've got – this is the best place to be," Ishbia told the virtual crowd of mortgage brokers. "At UWM, we're all in, we've got nothing else. Got no insurance, no title, no retail. We are a broker family. Wholesale. All we do is work with you – our family, our team."

The symbiotic relationship between the broker and UWM is foundational to UWM's long-term growth plan. Ishbia says he's not concerned with the third or fourth quarter (volume and profits are at record levels, and why wouldn't they be with 30-year mortgages in the 2% range?), and he also isn't paying too much mind to the company going public in the fourth quarter (it doesn't help me this year, he said). He's thinking about years from now, him and his broker family.

"We won this quarter, we'll win the next one," he said at AIME's virtual conference. "What happens when [rates are] 4%? What happens when the markets change?"

Ishbia, a former Michigan State college basketball player who's known as much for his aggressive style as he is for getting to the office before sunrise, said UWM's success is tied directly to growing the broker channel. He wants to see the channel approach 70% or 80% market share – it's currently around 20% – and that trajectory would be fueled by technology and efficiencies that allow more brokers to do exponentially more business.

But knowing that a move to the public markets means more regulatory scrutiny and – more importantly – investors to please, can the scrappy and agile UWM remain the same company that is currently so fiercely defended by brokers?

"My initial thought was, is a globally traded company going to look out for brokers the same way that it does when it's not a publicly traded company?" said Mike Kortas, who heads **NEXA Mortgage**, a brokerage with about 770 loan officers that's headquartered in Gilbert, Arizona. "Mat Ishbia is very passionate about making sure he's looking out for the broker. Well now he's got some fiduciary responsibilities to investors. But to me, I look at the company's previous history and where my level of trust is with them."

He added: "I do trust that Mat always does the right thing for brokers."

It's a common refrain. Of the nearly dozen brokers HousingWire spoke to, all of them said Ishbia walks the walk when it comes to promoting brokers and the wholesale space at large, even if it benefits competitors. They were largely chuffed to hear that UWM was going public. Four of them even asked this reporter what the ticker symbol was so they could set a reminder to buy stock.

"It's only going to increase his ability to help grow the broker channel," said Matt Gougé, a California-based broker at Answer Home Loans who made the transition from retail to wholesale two years ago, and is a self-described fan of UWM. "I think the scariness of 2020 and the issues with liquidity, that kind of subsides when you think about the cash infusion. So we've got a bit more in the war chest."

Another California-based broker said he will be tracking two key developments over the next few quarters. "The service they offer is easily the best, and if UWM, Rocket, **loanDepot** and whoever else are all duking it out on tech, I feel like the broker channel is going to really develop like crazy in the next five years," the broker said. "If you hate Mat, and some misguided people do for sure, if you're a broker you still gotta respect what he's done."

Competitors weigh in

Even some direct rivals viewed UWM's upcoming IPO as a positive for the wholesale channel, which, despite its gains in recent years, still lags behind retail.

"I think it's great," said Phil Shoemaker, the president of originations at **Home Point Financial**, a hedge fund-backed lender. "I think if you look at what happened post-financial crisis, part of the issue in mortgage has been it's hard to build any value as a company. Most companies would be happy to trade at book before Rocket [Companies' IPO]. I think what it's starting to show from an investor standpoint is that there are some really good companies out there that have been able to achieve scale and create business models that result in a much more sustainable business throughout the cyclicality of mortgage. I think it says something that the two companies that have gone first have heavy interest in wholesaling."

Shoemaker, whose company Home Point is now the second-biggest wholesale lender in America, added that while Ishbia will be under greater scrutiny as he helms a publicly-traded company, he didn't believe that the way the business was run would meaningfully change. At the end of the day, UWM going public "is going to lead to innovation and a better experience and product and execution for the borrower" in the wholesale channel, Shoemaker said.

One broker in Arizona said he thought "the lines were already drawn in the sand," comparing the for-or-against UWM camps to the growing polarization in American politics. "If you like UWM, this is a great move," he said. "If you didn't like them, this was not a good move. I don't think anyone will be swayed one way or another."

Ishbia swatted at any notion that his company would shift its focus to investors at the expense of brokers. Ishbia said his shares are all worth 10 voting rights, and he was absolutely hellbent on growing the broker channel.

"We would have never gone public if we couldn't have gone public in the way that we did," Ishbia said in an interview on Wednesday. "And what I mean by that is, I'm going to own 94% of the company. I'm going to be the chairman and CEO [with] complete control of the company.

"It's not about answering to investors. Investors bought in at 6%, they bought into the culture, the team and the vision of my team – me and my leadership team, not what they think a future could look like," Ishbia said. "It's not like we're a company that's just getting up and running. We're massively profitable, with massive growth and massive success, and this is going to throw fuel on the fire."

A future tied to tech

Several brokers told HousingWire that UWM does have a few issues to sort out as they continue to scale. Apart from some expressing distaste with how the ugly Anthony Casa controversy was handled, a few brokers told HousingWire that sometimes UWM's loans aren't cheap enough for them, that they'd prefer if UWM serviced more of its portfolio, and that they've also found mistakes in the underwriting.

Regarding the latter, "Maybe it happens slightly more than some other lenders," one broker in Texas told HousingWire. "To their credit, [UWM does] fix their mistakes very quickly. I think it really just comes down to, look, they've hired a few thousand people in a tight timeframe and close loans in like 15 days, so that's the tradeoff with speed."

In response, Ishbia told HousingWire that he's hired thousands of workers in the last year and built a host of technology tools to limit mistakes and continually improve the underwriting process. "We have a lot of humans," he said. "Sure, they're going to make mistakes, so they submit a CR [client request] and it gets escalated to the leader really quick and we solve them within hours," he said.

In Ishbia's estimation, the years UWM has spent developing technologies to shave valuable time for brokers and their staff have paid off. While back in 2010 brokers could collect a 2.50% commission on an average $200,000 loan, it came at a cost of about 40 man-hours, he said. Today, even with a 1.75% cut on a $300,000 loan, it takes half the time to close a loan. This gives brokers the ability to earn far more in commissions through sheer volume.

"UWM is building all this technology, and I don't want a level playing field," Ishbia said at AIME's virtual conference. "I want you to have an advantage. Blink [an all-digital loan portal] is better than anything these guys have. And Blink Plus just rolled out and it's awesome…Human enabled technology is what this is all about. Let me make you more efficient, let me make your clients' experience better…with this technology, we're trying to make you invincible. Make it so you can scale up or scale down as needed without extra expenses."

Not all are sold that the massive technology investments by the leading companies like Rocket and UWM have created the expected efficiencies. As of the second quarter, neither has 10% of the overall residential mortgage market yet, though both have set their sights on 25% or more within the next decade, premised on the power of technology and economies of scale.

"There's no differentiation for cost per funded loan based on the size of the company, and the cost per funded loan has also been trending up for the last 10 years," said Rich Weidel, who leads Princeton Mortgage, a New Jersey-based lender that operates in both retail and wholesale channels. "So the conclusion that we draw from that is that actually technology is not the greatest differentiator, but it's actually a great equalizer. And the reason that Princeton Mortgage can come in and grow market share so quickly is because we are able to utilize technology to deliver similar results to the largest companies out there. That's what makes it a wide open playing field."

Servicing with a smile?

By Ishbia's telling, UWM's focus on technology has prevented the family-owned company from being able to service the majority of loans. He says those days are over – he can do both now.

"As we've been growing, we've had to sell servicing to continue to bring cash into the business," Ishbia told HousingWire. "Now I don't have to do that. I can sell what I want to, not because I need to. And so, brokers will love the fact that we don't have to sell servicing. That was the No. 1 question I got if you asked me one year ago what brokers wanted us to do differently."

According to an analysis from New York-based mortgage research firm Recursion, UWM is currently the 12th-largest servicer for agency loans, with a portfolio of $144 billion, or 2.2% of all agency book.

This year, UWM sold $25 billion in mortgage servicing rights through the end of August. In 2019, UWM sold $71 billion in MSR, mostly to New Residential Mortgage ($38 billion), Mr. Cooper ($13 billion), Lakeview ($12 billion) and Select Portfolio Servicing ($8 billion), according to Recursion.

Brokers told HousingWire it was a move in the right direction.

“I’ll be honest, I was never a fan of them selling it off to Mr. Cooper,” one Arizona-based broker told HousingWire. “I mean, an 18-month hold doesn’t do squat for me. How many people refinance in 18 months?”

Kortas, whose broker shop NEXA Mortgage sends hundreds of loans to UWM per month, said one of Ishbia’s big wholesale competitors has shown the value of servicing the loans. It makes sense to follow suit.

“Home Point is a wholesale lender as well, they’re not nearly the size and they don’t provide all the technology solutions that UWM provides us, but they do service their own loans,” said Kortas. “And we see the benefit in that.”

At AIME’s conference on Friday, Ishbia was characteristically provocative. Before he took jabs at Rocket, before he foretold the exodus of retail loan officers to the wholesale side, before he demo’d a new underwriting-to-closing mobile app, he did what he does best: he pumped brokers up by speaking to them in their own language.

“We’re going to continue to dominate,” he shouted. “The vision, the strategy, all we did by going public is to add resources. We put fuel on the fire to take this to a new world where now the playing field is level. And nobody likes it in the industry…we’re all going to grow exponentially with some of these changes.”

On the live chat window, several brokers chimed in: “We are family!”

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