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# United Wholesale Mortgage, LLC

Second Quarter 2024 Earnings

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## CORPORATE SPEAKERS:

**Mat Ishbia**

*United Wholesale Mortgage, LLC; Chairman, Chief Executive Officer*

**Andrew Hubacker**

*United Wholesale Mortgage, LLC; Chief Financial Officer*

**Blake Kolo**

*United Wholesale Mortgage, LLC; Chief Business Officer, Head of Investor Relations*

## PARTICIPANTS:

**Bose George**

*KBW; Analyst*

**Derek Sommers**

*Jefferies; Analyst*

**Douglas Harter**

*UBS; Analyst*

**Bradley Capuzzi**

*Piper Sandler; Analyst*

**Eric Hagen**

*BTIG; Analyst*

**Mark DeVries**

*Deutsche Bank; Analyst*

**Terry Ma**

*Barclays; Analyst*

**Ryan Shelley**

*BofA; Analyst*

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## PRESENTATION:

Operator^ Ladies and gentlemen, good morning. (Operator Instructions) At this time I would like to welcome everyone to the UWM Holdings Corporation Second Quarter 2024 Earnings Conference Call. (Operator Instructions)

And Blake Kolo, you may begin your conference.

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Blake Kolo^ Good morning. This is Blake Kolo, Chief Business Officer and Head of Investor Relations.

Thank you for joining us. And welcome to the Second Quarter 2024 UWM Holdings Corporation's earnings call.

Before we start I would like to remind everyone that this conference call includes forward-looking statements.

For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to our earnings release that we issued this morning.

Our commentary today will also include non-GAAP financial measures.

For information on our non-GAAP metrics and the reconciliations between the GAAP and non-GAAP metrics for the reported results, please refer to the earnings release issued earlier today as well as our filings with the SEC.

I will now turn the call over to Mat Ishbia, Chairman and CEO of UWM Holdings Corporation and United Wholesale Mortgage.

Mat Ishbia^ Thanks, Blake. And thank you everyone, for joining us today.

For a while now we've been saying 2024 would be a better year for the industry than 2023. And although it hasn't been that much better yet, our production at UWM has been winning. The market might be getting better soon, which we'll talk about a little bit later.

But industry volume in the first half of 2024 versus 2023 is about the same.

Most people are living in the purchase-driven market, but there's still tremendous upside that lies ahead. UWM has been winning.

We had an amazing quarter, which we'll go through the details, but the market might be getting better here soon.

While rates have stayed higher for longer, the broker channel continues to post share increases as the latest data shows the highest channel market share since 2008.

So we continue to see the data on mortgage loan officers migrating from retail to wholesale.

We're excited about that upside and it's starting to happen.

Now there's tremendous buzz on our campus as many of you saw at UWM LIVE. And those that were here saw first and our continued focus and investment in technology, which put UWM in

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the broker community in a position to handle the significant increases in production that we anticipate when the Fed cuts rate multiple times over the next 12 to 15 months.

Now let's look at the second quarter performance. Whether we compare year-over-year or sequentially, the second quarter was a great quarter.

We closed \$33.6 billion in total production within our guidance with over \$27 billion coming from purchase.

Our production is up 6% from the second quarter of '23 and more [impressive] up 22% compared to the first quarter this year.

In fact, it was our highest quarterly production since the first quarter of 2022.

Our gain margin was 106 basis points at the higher end of the guidance, and we generated net income of over \$76 million, and that includes a decline of \$115 million on fair value of MSRs, which is tied to interest rates and out of our control.

In the second quarter, we announced a number of products and technology that add speed and capacity on the broker channel that really just didn't exist in 2020 and 2021.

We're really excited to see these things come into action.

First, mortgagematchup, our consumer-facing website, is now the official mortgage partner of the NBA and WNBA, and we're seeing more and more people going to this website every single day. TRAC+, which enables UWM to handle everything from the closing process from title, closing, disbursement, the broker no longer has to go outside and work with a third-party title company or anyone outside, and it saves the consumer thousands of dollars many times.

This is a huge game changer, and we're taking advantage of it right now and so are our brokers.

We scaled PA+, which is processor assist plus a line brokers, and their processes to choose which part of the loan process they want UWM loan coordinator to handle. This immediately adds capacity our brokers, which will become more critical as rates come down.

Finally, we continue to invest heavily in our BOLT underwriting system. This allows brokers to get initial approval in as little as 15 minutes and also is allowing our underwriters to do more business every single day with technology pulling the weight on a lot of the underwriting processes. The full impact of these investments will be apparent when we enter a refi market where you will see UWM and the brokers able to add significantly more increase in volume than the rest of the market, while still maintaining speed and the service we are known for.

To put it bluntly, UWM and the broker community are thriving and are ready for when rates drop and they will drop. You guys know me and know I'm excited about the business, and I'm excited as ever.

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But my 21 years in mortgage, I never felt UWM is more prepared for the opportunity we are right now.

We are prepared, and we've been building for this opportunity, and we're super excited.

Now I'll turn things over to Andrew Hubacker, our CFO, and then I'll come back and chat later.

Andrew Hubacker^ Thank you, Mat.

We were pleased with our second quarter financial performance, reporting positive GAAP net income for the quarter and year-to-date.

Importantly, we also remain profitable operationally and on an adjusted EBITDA basis before considering the net change in fair value of MSR's, which is largely outside of our control. Total production volume of \$61.3 billion year-to-date is an approximate 13% increase from the first six months of 2023 and gain margin of 107 basis points is up from 90 basis points in the same period last year. These increases in volume and gain margin have allowed us to continue to invest significantly in our people, our technology and in the growth of the broker channel while maintaining profitability.

During the second quarter, we continued to execute on our consistent strategy of opportunistically selling MSR's, and we have generated close to \$2.4 billion in net proceeds from bulk and excess sales through the end of the second quarter. Proceeds from these sales have been used to delever our balance sheet, increase production and invest in our business while also maintaining a consistent dividend for our shareholders. These sales have been targeted at our higher coupon MSR's and allowed us to significantly derisk the portfolio.

Most of our bulk and excess sales in the first six months of 2024 were servicing rights on loans with coupons above 5.5%, and approximately a third of our bulk sales were Ginnie Mae collateral. The weighted average coupon of our portfolio declined from the end of 2023 to 4.31% even with year-to-date new production at higher rates.

As of the end of the quarter, our capital and leverage ratios continue to fall with an expected and targeted ranges in the current environment.

We ended Q2 with total cash of just under \$700 million and no outstanding borrowings on our MSR or unsecured lines of credit.

So liquidity and access to liquidity remained very strong.

We continue to be prepared operationally and financially for different market cycles.

Okay.

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I'll now turn things back over to our Chairman, President and CEO, Mat Ishbia, for some closing remarks.

Mat Ishbia^ Thanks, Andrew.

I'll close with a few points before the Q&A. More and more American consumers are seeing the advantage of getting their mortgage through a mortgage broker channel.

It's undeniably the fastest, easiest and most affordable way to get a mortgage and the latest share numbers validate this.

As I said before, in Q1, we saw the broker channel achieved the highest share of industry in the last 15 years.

I would say that UWM and the broker community are in a much stronger position heading into the next refi market than we were in 2020.

But regardless of the market, we'll remain the best mortgage lender in America.

Our focus will continue to be on providing elite service and technology to the mortgage brokers so they continue to serve with American consumers. Having been the #1 wholesale lender for a decade now and #1 overall lender for the last three years -- as well as a top purchase lender in America, our focus turns to making the broker channel, number one. To us, the broker channel is achieving over 50% market share.

That may take us three years, five years or 20 years.

But this is the target and this is what we're going to focus on because it's best for the consumers, it's best for mortgage brokers.

It's also best for UWM.

We're going to win as a team.

Now turning to guidance.

We expect Q3 production to be anywhere between \$31 billion and \$38 billion and our gain margin between 85 and 110 basis points. With that being said, the last couple of days of the market has really made an inflection point where we can look at, could the refi boom be here right now.

Now if the 10-year stays where it's at right now and mortgage interest rates stay with that right now we will beat this guidance from a production perspective.

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But I'm more excited about the fourth quarter and beyond if the 10-year and rates stay where they're at.

Obviously rates could go back up five minutes after I talk on this call and will be exactly what I guided to you.

I want to make sure you guys know 31 to 38 and 85 to 110 is in line, and we expect to be in those numbers, but there is a lot of upside ahead. The best part about the upside is this, we are the most prepared mortgage company in America.

We've been building for this.

We did not lay people off.

We have been prepared for the opportunity. And I always said the mini refi boom or a full refi boom, the first six months is when you make all the money. And that's what we're about to hit, we are in the best position ever at UWM and I'm proud to share that with the shareholders and excited about the future.

And if the market turns back, we're still going to dominate in the purchase market we have been for the last couple of years.

So we're excited about what's ahead.

We'll see what happens.

I'm really excited to see the third quarter, fourth quarter and the upside and the possibilities ahead with UWM.

Now at this time, I'll turn it over to the Q&A, and we'll go through there.

### **QUESTION & ANSWER:**

Operator^ (Operator Instructions)

And your first question comes from the line of Bose George with KBW.

Bose George^ Actually, in terms of rate expectations of the market, if the Fed does cut by a couple of hundred basis points as the forward curve suggesting, but the yield curve steepens and say, the 10-year doesn't go down that much. Do you think we could see a pickup in ARM production and that helped that sort of contributes to overall volume increases?

Mat Ishbia^ Yes.

Well thanks for the question.

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Obviously it's hard to predict all the opportunities and possibilities out there, the Fed cutting rates as much as you just described, it would be a massive movement in the markets in general.

I do have a hard time thinking the tenure would not follow in some impactful way, also understand the difference between how much the 10-year versus 30-year are fixed.

So could ARMs become more relevant?

Yes.

I still believe 30-year fixed will be the prevailing product for the foreseeable future.

But the Fed cutting rates even 25 basis points, which everyone in the market expects, September 17, 18, whatever, will move the markets from a perspective of consumer demand, consumer awareness.

It's the best marketing piece in the world, right there when the Fed cuts rate will lead every new station and every consumer will call their mortgage broker and we think that will be more impactful than even the rate movement down.

So we'll see how that all shakes out and what the impact will be.

But we're on the cusp.

We're not quite there yet, but we're on the cusp of a potential very interesting time here that we are very, very well prepared for, and we've been waiting for here at UWM.

Bose George^ Okay. Great. And then actually, on the TRAC+ program, like how much do borrowers save from this? And then like in terms of how you -- where do you guys essentially sort of work with title insurers to sort of, I guess, reinsure that? Or how does that structure that program work?

Mat Ishbia^ Yes.

Well there's a bunch of different nuances and parts to it.

But the key is the consumer saves thousand or thousands with an s on the end on many transactions, if not all transactions through TRAC+.

It's a really simple, easy way to close your loan.

We're trying to make the process faster, easier and cheaper.

It does all 3. There's all different nuances with how we handle the risk.



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But from a perspective, we look at it as we're taking on a little to 0 risk at all in our organization, and we're saving consumers a lot of money, and it's disrupting the title world and it's going to happen because it's better for consumers.

We're always what's better for consumers, and I'm sure you read about FHFA, title pilot, that's going to be better for consumers. Like what's better for consumers wins, and that's why we're winning because brokers are better for consumers.

It doesn't happen overnight, but it's all happening and title is another example of that.

Operator^ And your next question comes from the line of Derek Sommers with Jefferies.

Derek Sommers^ To follow on to kind of TRAC, TRAC+ and PA+, could you provide any kind of incremental color on maybe adoption rates by your broker partners? Or any other color on how those products are trending?

Mat Ishbia^ Yes. Thanks for the question.

So a couple of things. The adoption rates actually have gone up significantly in the last two, three months.

What's happening is they're really just built for scale.

There's two parts of the equation, back in 2020 and '21, when refis hit, brokers lost market share. They didn't gain as much because one, we were well prepared, I would say, pretty well prepared, not as good as we are today.

But brokers were not.

What we've built with PA+ and TRAC+ is we're taking the guesswork out of it. The brokers don't have to hire up.

The title companies don't have to hire up. Nobody has to hire up because UWM's technology and innovation and that we've hired up in our prepared is able to handle the scale. Remember, it's not just UWM handling scale because the brokers can't triple the business or double the business. How am I going to do that, right? How am I going to grow at a significant level if they can't.

And so PA+, TRAC+ is basically taking the guesswork out of the game and saying, "We've got the scale for everybody." Brokers and UWM included and TRAC+ and PA+.

So the adoption has been pretty great, but it's not going to be at the levels that we expect because right now they don't need a scale because the market doesn't warrant it right now.

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Right now the market is still where the market was, where we're going through and going through the same numbers we've been seeing.

So it's not creating -- it's not a huge scale right now but it does remove a lot of bottlenecks in the industry -- in the brokers world, and it makes it faster, easier and cheaper. And the word is scale.

We're prepared for scale for not only for UWM, but for our brokers and PA+ and TRAC+ does that.

Derek Sommers^ Helpful commentary there. And then just to circle back to your commentary on guidance.

Is there a 30-year mortgage rate in mind where the flood gates really open on a refi rally or how are you thinking about that?

Mat Ishbia^ Yes.

I mean I think it's -- I don't know if I have an exact number to give you, but what I would say is the market where we're at now if it takes -- if the 10-year ticks down a little bit more from where it is today, like the range we're in right now is good.

But we're on the cusp, right? So I can't give an exact number, but I do think that the 10-year drops down below the 3.75 range, and we start getting those ranges lower than that, it will spur refinance boom. And so we're not there yet.

And like I said, after I talk on this in 10 minutes, and it already has gone up a little bit today that everything is exactly what I guided you 31 to 38.

But there is a lot of upside. And what I'll tell you is we're the most prepared company for that upside. And so if the rates drop more substantially and refis become relevant, we could do a substantial amount of more business. And when I say substantial, I mean like significantly, significantly more on a monthly basis, not for this quarter, most likely because this quarter is almost baked if you think about it, we're midway through August almost.

But for the fourth quarter, it could be exorbitantly higher numbers and with a rate drop a little bit further.

Operator^ And your next question comes from the line of Douglas Harter with UBS.

Douglas Harter^ Can you just talk a little bit more about some of the investments you made this quarter and how you think about the incremental scale and volume and kind of how your expenses would look in kind of in a significantly up volume environment?

Mat Ishbia^ Yes. No. Thanks for the question.

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So my expenses look very similar in a very -- we built this in, like we didn't lay people off.

We've been building, we've been preparing.

I have about 8,000 people.

I don't know the exact number, but roughly 8,000 people that are in the company right now. We are prepared.

We've built some amazing technology, which I don't want to speak to on this because it's just -- you'll see it when you see it.

But we got some amazing things that we've built and are ready for scale. And that's why I've been talking about like we are the most prepared.

We've obviously been dominated for the last 2.5 years, every quarter, I come out and tell you, well we're going to hit, we hit it.

We've been outperforming every other mortgage company in America and it's not even close, and we are the most prepared mortgage company, doesn't mean we're in the most volume of everyone when refis come, there's a lot of refi only shots out there, right? But we are extremely prepared.

We are not going to miss a beat, like the amount of volume that we got in today or yesterday, versus what we've been getting in before is significantly higher, and we can maintain that and manage that and handle that.

And so I guess my perspective is the technology, the investment in people, in training, in all aspects of the technology innovation process has been significant. And it's not just been the last three months, I've been doing it.

We've been doing for the last 2.5 years waiting for the day. And like I'm not saying we're at the day, but we're getting close to that day. And when that day comes, which we all know is going to come.

the best mortgage company in the country is going to thrive, and we're excited about that. And the brokers are going to thrive, and we're excited about that and our shareholders will get that benefit.

Operator^ And your next question comes from the line of Brad Capuzzi with Piper Sandler.

Bradley Capuzzi^ Just following up on TRAC+.

Can you discuss a timeline or plan to extend this beyond online refi transactions?

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Mat Ishbia^ Say that again?

Bradley Capuzzi^ On TRAC+, like I know you mentioned that UWM LIVE. that right now it's the capabilities for it are just online refi transactions.

Is there like a timeline or plan to extend that out beyond just refi transactions?

Mat Ishbia^ Yes.

So there's two parts. There's TRAC and TRAC+. TRAC allows for purchases. TRAC+ is just refinance transactions right now.

Once again, we can handle the purchase business, title companies can handle purchase of business, brokers can handle purchase business.

We all understand that market, what TRAC along with PA+, along with a lot of things are built for is the market doubling in a week's notice, right? So think about like -- can the title companies handle double the volume, can a broker handle double the volume.

Can UWM handle double the volume?

Well the answer to the UWM question is yes, we can. The answer is a broker question is, yes, they can because of PA+.

And the answer to the title company question is, I have no idea.

I don't really care because UWM can handle with TRAC+.

So we're taking it into our own hands to handle double the volume in a 1-day notice, right? And so TRAC+ is built for that. And so it's online, refinances, actual closings, it's making the process faster, easier, cheaper for consumers.

I have not built, although I have the ability to build it.

I'm focused on scale. And so we have not focused on, hey, can we advance it to in-person refinances or in-person purchases, although we tend to do some of that with Track, but my big focus is what am I going to do if the 10-year or the rates drop overnight. And like I said, it almost happened Thursday, Friday, we're getting close and we're prepared for it, and that's what TRAC+ is built for.

And so -- and the adoption back to the earlier question, the adoption has been -- I won't give a number, but substantially higher in the last three weeks or four weeks than it was two months ago because it's starting to -- people are starting to feel and what I've been pushing people is, are you an early adopter, you better try to stuff and understand how TRAC+ and PA+, all this works.

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So when the rates do drop and that opportunity comes, can you double your business. You don't have to worry about it because UWM got your back, and we will see that happen. And so we're very well prepared, and we're excited about it.

Bradley Capuzzi^ And then can you just give an update on the dynamics playing out within the broker channel? Have you seen pricing be more rational and you're still seeing continued pullback from peers in that channel?

Mat Ishbia^ Yes.

I mean I think pricing has been rational for a while.

I feel like I'm not concerned about wholesale like the truth is all parts of the market, if the rates drop a little bit further than they are today, right? Everyone is going to get busy. And then what happens in the rational pricing that maybe you're describing or pricing in general will change because people will start and a lot of our competitors bring in 75 to 100 loans a day.

That's how small they are, right? We're much more -- we're much bigger than all them. Then going to 200 loans a day, can they double their business.

I don't know if they can. And so what happens is they back off pricing.

And so that will happen.

But that's not just wholesale, that's retail.

It's the whole industry. People that are not prepared, and that's why we want to be prepared, so we don't have to do that.

Our pricing, our margins, I feel really good about where our margins are.

I feel really good about our volumes.

We're very, very profitable as we stand today.

Now the one thing to recognize when rates do drop and all these you say rational pricing, but MSR values are going to plummet right? So all this going to have huge MSRs. And hopefully, you realize Andrew, Blake, our team of people here did an amazing job with our MSRs.

If anyone caught that our WACC is lower now than it was at the end of the first quarter after we just did \$33 billion of rates around the 7% range.

Imagine that, right?

And so we've derisked significantly.

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So we'll still have an MSR write-down, but we'll have an origination write up, if you think of it that way, we're doing a lot of business, everyone is going to have an MSR write-down.

So balancing those things, I understand what's happening is important going forward.

But I think that it will be interesting to see people hand up.

So pricing rationale, like margins will go up. They don't go down in a refi boom. They go up, how much they'll go up, I'll hopefully be able to guide to next quarter if the rates drop a little bit further than they are right now I feel good about our range because that we're still are off the lows, which was a couple of quarters ago, 75 to 100, we're 85 to 110, and we're going to be in that range this quarter.

Now the question is, if rates drop further, I expect margins to go up. And I'll guide to that for the next quarter, if that happens.

Operator^ And your next question comes from the line of Eric Hagen with BTIG.

Eric Hagen^ Following up on that point, I mean how stable do you feel like margins are if rates are lower? Like even within the refi and purchase channel specifically, what do you feel like maybe accounts for differences in margins between those two channels if rates are lower?

Mat Ishbia^ Capacity.

It's just capacity. That's what the constant difference is, people can't handle it.

So what's going to happen is if rates do go lower. Right now 85 to 110, it's all day, it's simple, it's easy, it's clean.

I feel really good about hitting those numbers, \$31 billion to \$38 billion.

Now if rates drop, like I said, let's just make up a number, I'm 3.50 on the 10 year, okay, 3.5? If it goes there, all bets are off, right? It could literally -- we could double our business, right? And if rates drop and margins could go from the 100 range to the 130 range, like it could go to the numbers.

I don't want you to quote those numbers.

I'm just give you ranges that if the 10-year goes down substantially, that's not -- that's going to happen to everybody.

Everyone is going to get a lot to do with refinances because there's trillions of dollars of loans in the 7%, 6.5% to 8% ranges. And so all of a sudden, 30-year fix is 5.5, 5.75 then, people are going to refinance.

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And when the Fed lowers rates, people are going to think about refinancing. They're going to start calling and reaching out and [mortgagematchup.com](http://mortgagematchup.com), going to independent mortgage brokers that's going to happen. And so MSR write-downs will be massive, origination volumes and gain on sale will go up. And so how does that balance out? You can determine how you want.

Obviously nobody controls the MSR write-ups and write-downs.

We never take credit when it goes up.

We don't want to take credit when it goes down.

We want to focus on origination and we're not that far away from those numbers.

But once again, I'm not watching the market this morning.

It could be already at four for all I know the 10-year, and we're 3.80, 3.90.

I don't know what it's at.

But whatever it's at, you can't control it.

So we just have to be the most prepared company. That's my job as the CEO and Chairman, and I think we're doing it.

Eric Hagen^ We like it.

Following up on the MSRs.

I mean any perspective on how you see the demand for MSRs developing with lower rates? Do you see the risk of lower MSR values impacting the demand side from the folks who typically show up to buy MSRs.

Mat Ishbia^ I don't know if I'll -- so first off, we sold a lot opportunistically in understanding the market and are seeing where just the rates were. Do I see -- for us, we don't buy MSRs, we originate them.

We originate loans where there's nobody in the country that originate more loans than us, obviously which originates more MSRs. And so do I see a slowdown? I don't know if I'll see a slowdown in people buying MSRs because that's the only way they can originate.

They have to actually have -- the servicing loan to have a chance. That's not how UWM is.

We don't need the loan to have a chance.

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Our brokers get the loans because they're out there and the best for the consumers. And so I'm not as concerned about will people not buy because people are going to still be buying.

I'm not really in the mood to sell right now.

We feel like we've derisked significantly, and we're all about origination. 1,000% of our focus is on origination, being prepared, helping brokers being prepared and making sure we deliver to the shareholders who have been telling everyone, and I think we've been doing that.

So it will be interesting.

I don't think it will be a massive shift, but because a lot of those servicers buy beyond cash flows they buy for a chance to refinance.

Operator^ And your next question comes from the line of Mark DeVries with Deutsche Bank.

Mark DeVries^ I was hoping to get a sense of what kind of improvements do you think you're making with the technology investments and your time to close? And kind of how durable that would be under significantly higher volumes and what that might mean for your potential to take even more share within the broker channel if we get a surge in volume.

Mat Ishbia^ Yes.

So turn times are huge yields, speed to close with all the technology, so I'll talk about my technology standpoint, but all the world with trigger leads, all the things that go on, people need to close loans fast and you get a borrower bought in, close the loan fast and officially. When rates do drop, you're going to see everyone's turn times back up a little bit fast in the country now 13, 14, 15 days, we're the fastest in the country by a long shot.

We will maintain that across the board or if we get a little bit worse, it works by a day, everyone else is 40, 45. They might go to 50, 60 days, some places might go to 70 days to close loans.

That's what happened before, and that's what will happen again. And so our gap will widen because of our technology and because of our service levels and because of our staffing levels.

Now with that being said, the technology we've invested in, I'm going to hold some of that back to some of the things that we've done because some of the stuff we've done, I think, is going to really wow a lot of people and some really interesting means I'd rather not get into all the details as of yet because we're -- it's not ready to be talked about.

But we have built a lot of -- we have 1,700 technology people at our company every day, working on technology for one focus, growing the broker channel, helping brokers win, helping UWM win, making things faster, easier for consumers. Like that's what we focus on all day.



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We don't have people in different countries and all around the country in America, working from home. They're in our office, and we have one team, one focus and one goal in the all-in-1 building.

And so we're all focused on it. There's some great technology stuff.

Some of it you've seen or heard about PA+, TRAC+, BOLT a lot of these things.

But then there's some you have not heard about, but we are really excited about it.

But the biggest thing for you is to speed matters.

Speed will matter for consumers, saving \$100 and \$150. And for brokers and originators, it matters. And they lose loans, they trade loans. They compete with people for loans and closing loans fast matters, and we are the fastest in the country by a long shot.

Operator^ And your next question comes from the line of Terry Ma with Barclays.

Terry Ma^ Just had a follow-up on the gain on sale margin.

It's been pretty consistent the last two quarters above 100 basis points.

So I guess the question is kind of what gets you to the low end and maybe going forward, what gets you comfortable kind of raising the low end of the guide?

Mat Ishbia^ Yes.

Well so obviously a lot of things move.

So people think we did, I think, 108, 106 back-to-back quarters, which were pretty good numbers.

But if I felt confident that we would never be in the 85 range, I would move that off the bottom.

I won't say that it's never -- it cannot go back down.

That's why I have the range between 85 and 110. There's a lot of movements with a lot of volatility in markets, which we've seen actually as we're all aware of. That actually makes hedging and margins very, very tough to come by. MSR valuations go up and go down, that impacts the valuations on pricing on a day-to-day basis, hour-to-hour basis. And so I don't feel that it's like -- if I felt more confident that, hey, it could never be 85, I would change the number.

So 85 to 110 is the guidance.

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I feel good about that. Do we try to have bigger margins? Absolutely. Do I feel good about our margins?

Absolutely.

But there's still 50 days left in this quarter, there's a lot of movement that could happen. Rates could go up, rates go down, volatility impacts, things hedges, a lot of aspects. And so keeping that range is good.

We feel good about 85 to 110. And then to the question about what will make me move off the bottom.

I think if the rates drop a little bit further.

I could see myself moving off that bottom next quarter.

I think that if we see a steadiness again this quarter, and rates take a little bit more of a dip, I feel confident in our capacity ability that I can move that number the next quarter on the bottom up a couple of different levels, one level or two level potentially and we'll look at that.

But not yet, it's not there.

I still think 85 to 110 is a number. And like I said, I haven't looked at the market.

It could be 85 to 110 in the next three quarters for all I know based on what the market does.

But I'm excited about moving off that number hopefully next quarter if the rates come down a little bit further.

Terry Ma^ Okay. Got it. That's helpful color. And then just on the MSR sales, you guys mentioned you would be opportunistic, but you also mentioned you've derisked meaningfully at this point.

So I guess going forward, can you maybe just talk about your appetite to sell higher coupon loans just given the demand still there?

Mat Ishbia^ Yes.

We're opportunistic with everything with selling MSRs.

We're not really focused on it. Like we had a strategy coming in this year. The strategy was to derisk, was to sell MSRs in the first three to six months of the year and prepare for scale, technology operationally and it's playing out how we expected.

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And so I'm not saying we won't sell any more MSRs because people call us all the time to try to buy them.

However, it's not a focus of mine right now my focus on origination, on scale and dominance in this industry right now and that's what we're focused on right now.

So will we sell more?

Possibly, but it's not a focus of mine right now or our organization because we're focused on those other things.

Operator^ And your final question comes from the line of Ryan Shelley with Bank of America.

Ryan Shelley^ I just had a quick one on expenses here.

I noticed that direct loan production costs were up pretty significantly in the quarter.

If you could just provide any color there and as well as G&A. Just any color you could provide there and factors to consider looking forward, that would be great.

Mat Ishbia^ Yes.

So there's a lot of nuances and a lot of different things.

But I guess I'd say naturally, when you do more production, you're going to have more loan production expenses, right? We help cover credit reports. The credit costs are going up.

A lot of different things have gone up.

But I really don't focus on expenses that much because I focus on winning and focused on growing. And right now it's a growth mode, not an expense, like you've even heard a lot of my competitors who have been playing the game of cutting expenses, I don't hear them talking about that anymore because the game changed.

We're focused on winning, which is revenue, which is origination, gain on sale, more brokers growing, loan losses converting the broker channel and being prepared for the refinance opportunity along with the purchase opportunity, which I haven't hit on much because all I'm talking about refinances when rates are not a little more, where people sell their houses, purchases will pick up, inventory will pick up.

It's going to be a big swing of opportunity.

And so the expense gain, expenses will go up consistently with our volume.

But it's like it's tied to loan production, and it's not really relevant.

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Our G&A, like our overall just expenses from team members, like we're in a pretty good spot.

We're still hiring, but we're not hiring extremely high numbers because we've got our team, we've got our technology.

We've got our systems, and we feel really good about where we're at.

So the focus right now is on growth, scale and being prepared, and we are. Liquidity is great.

We've derisked on MSRs.

Expenses, yes, we'll watch them, but that's not the game right now. The game is winning, and we're going to focus on winning right now.

Operator^ And that will wrap up our question-and-answer portion.

I would like to turn the call back over to Mat Ishbia for closing remarks.

Mat Ishbia^ Well thank you very much. Thanks for all the questions. Really appreciate the support and the great questions that were there today.

If you have any other follow-up, of course, Blake Kolo is always available on our team.

And we look forward to a great quarter, and talk to you next quarter.

Have a good one.

Operator^ Ladies and gentlemen, this concludes today's conference call.

And you may now disconnect.