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The deal puts tighter strings on what UWM can distribute to its majority owner.

Mortgage Leader Ended Up Needing A Rescue

BY BEN GLICKMAN

Mat Ishbia made a fortune by running the largest mortgage lender in the country. He used his wealth to buy the NBA's Phoenix Suns for $4 billion in cash and to build a mansion in Michigan with a trampoline park and rock-climbing wall.

The businessman surprised investors last week when he revealed that an ill-timed wager left his company, United Wholesale Mortgage, with a $600 million hole. The Pontiac, Mich., company said it was suspending its commonstock payouts and getting financing from Oaktree Capital Management, a lender to distressed companies. Shares tanked 35%, leaving them down about 70% this year.

Note

Ishbia, 46 years old, defended the deal, saying it was a strategic partnership that gave his company access to Oaktree's expertise in the mortgage sector. He said that the infusion eliminates uncertainty about UWM's funding needs, and that if it was just about capital, he could put money in himself or get "random people."

"Oaktree is getting a great deal, and I'm happy for them," Ishbia told investors on Thursday. "When they make a boatload of money and are very successful, so will most of our shareholders."

To do the deal, Ishbia gave up some control over his company. In exchange for its $1.5 billion infusion, Oaktree gets the right to veto changes to the company's C-suite and corpo-

rate bylaws and to force UWM to buy out its stake after seven years. It gets two seats on the board, warrants for additional shares and at least $600 million in guaranteed return.

Ishbia has historically called the shots at UWM, which he turned from a local lender to a national powerhouse underwriting more home loans than the country's biggest banks. He controls 79% of UWM's voting power through a special class of stock. Under the Oaktree deal, his family holding firm is injecting $150 million and won't receive the common- stock dividends that paid out billions of dollars over the years to its majority owner.

Note

That Ishbia needed a bailout didn't surprise some critics of the company, which overtook Rocket Mortgage as the largest mortgage lender by dollar volume by cultivating a network of brokers. Ishbia expanded his business even when rivals hunkered down, saying he was setting UWM up for a windfall when interest rates dropped.

"When you ball it all up, they've had pretty serious cash problems that have been getting worse," said Rich Swerbinsky, executive director of the Ohio Mortgage Bankers Association, who is critical of UWM on social media.

Mortgage rates have stayed stubbornly high. UWM's situation became acute in the latest quarter after the company took a $603 million loss related to interest-rate hedges—essentially bets that pay off if rates fall. UWM had taken on those hedges, Ishbia said, because of a failed acquisition. He agreed in December to buy a real-estate investment trust focused on mortgage servicing, called Two Harbors. The $1.3 billion stock deal fell apart in March when Two Harbors opted for a cash offer from another suitor.

Mortgage companies often make hedges against their portfolios of mortgages, which change in value with rates. However, UWM paid to hedge a portfolio that the company never acquired, much to the confusion of some investors and analysts.

"They shouldn't have presumed" they would get Two Harbors, said Bose George, an analyst at Keefe, Bruyette & Woods. He said Ishbia likely stuck with the pursuit of Two Harbors "partly because he didn't want to lose."

On Monday, UWM sued Two Harbors in federal court for breach of contract and fraud, alleging it sabotaged their merger. A spokeswoman for UWM said it was seeking more than $500 million in damages after it "exhausted every reasonable alternative" to litigation. Two Harbors didn't respond to a request for comment.

Ishbia has shown a willingness to spend his money. Along with his brother who runs a priva te - e q u i t y firm, Ishbia purchased the Suns, as well as the city's WNBA team, in cash in 2023.

"He could be a good leader, a good owner, but he tried to do too many things," said Thuan Nguyen, founder of mortgage broker Loan Factory, who clashed with UWM over restrictions on brokers. "He loves basketball, and it's very expensive to buy a basketball team." Ishbia has mixed his private affairs with his company. UWM's headquarters campus is leased from entities controlled by Ishbia and his father. The company paid $21 million last year on the long-term leases. In 2025, UWM agreed to a 10-year, $115 million sponsorship deal with Ishbia to name the Phoenix arena where his NBA and WNBA teams play.

The Oaktree deal puts much tighter strings on what UWM can distribute to its majority owner. If UWM fails to pay Oaktree its hundreds of millions of dollars in dividends when due, Oaktree gets a majority of board seats, effectively taking over the company, and would be paid out in full before other shareholders on any potential sale.

Oaktree got preferred stock, which includes a 10% cash dividend requirement and a repayment penalty that increases with each year. For example, if the company repays Oaktree during the third year, it will have paid the annual $150 million dividend twice, plus a repayment penalty of 30%, or another $450 million, on top of the $1.5 billion in principal.

The key is how well UWM and Oaktree are willing to collaborate, said Jennifer McGuinness- Lubbert, chief executive of mortgage asset-management firm Pivot Financial. "They have an opportunity in front of them that could be huge for their business. But they have to play nice in the sandbox."

UWM went public in 2021 and was valued at about $16 billion in what was at the time the largest-ever special-purpose acquisition company debut. It now trades at a valuation of around $2 billion.

Last year, UWM stopped holding earnings conference calls with analysts, opting to have Ishbia answer pre-gathered questions in a monologue.

He also delivers a monthly recap of the biggest mortgagerelated news items in a You-Tube video called "3Points." His latest clip was posted days before he unveiled the Oaktree deal. Ishbia ended with: "Housing is going strong, and homes are selling right now in this environment. Now when rates drop even further, we see it kicking up even higher. But for now, it's a good purchase market. Take advantage of it."

