Statement By:
Mr. Lee Jelenic, Chief Innovation Officer, United Wholesale Mortgage
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Chairman Scott, Ranking Member Warren, and distinguished members of the Committee, thank you for inviting me to appear at today's hearing.

Homeownership continues to be the most significant source of financial stability for American families, and United Wholesale Mortgage (UWM), as the largest mortgage lender in America, takes seriously our responsibility of maximizing the accessibility and availability of financing so that more people can achieve the dream of homeownership.

While the system to facilitate mortgage finance is working today, we believe there are a few clear, tangible ways to improve the status quo. In my testimony today, I will highlight a few of those specific areas.

## I. The Three Main Headwinds: interest rates, housing inventory, and costs in the mortgage process

Before doing so, it is imperative to begin with some context for why homeownership has become less attainable for many Americans today. We contend the challenge is threefold.

First, interest rates are high relative to recent history. For the past three years, people have been facing interest rate sticker shock compared to what they observed during the 2018-2021 low-interest rate environment. Additionally, the historical spread between the 30-year mortgage rate and the Ten-Year US Treasury is around 150 basis points, and in today's market, it is closer to 250 basis points. While there are a number of factors that are driving this, the fact remains that high interest rates are having a negative effect on the housing market and impacting supply issues.

Second, there are simply not enough houses available at any price point (especially the entry-level price point) to keep up with the demand for household formation. To shed additional light on one aspect of the supply problem, we believe the market is currently suffering from what the industry refers to as the "lock-in" effect. Because many existing homeowners benefit from lower mortgage rates locked in just a few years ago, every tier of homeowners are now remaining in their current homes for longer. As a result, individuals who the market previously looked at as “move-up buyers” are staying put, which means there is less inventory available for the next generation of homeowners.

The trickle-down effects of this phenomenon on the market are clear. While new construction has generally gotten harder for homebuilders at the entry level, it has remained profitable to build at higher price points. However, with people “locked in” their homes because of rates, the market is frozen. If rates moved a little lower than where they are today, people could, in theory, afford to move from their $300,000 house to a $500,000 home. If builders can't afford to build at the $300,000 level but can at $500,000, for example, then this movement up-market could unfreeze the market.

And finally, there are opportunities, by embracing innovation, to lower some of the costs that prevent American consumers from being able to afford a mortgage and a home. We need more affordable mortgage products to help borrowers take advantage of the equity they have in a current home to help them move into their next home, some of which include removing Loan Level Pricing Adjustments, reforming Mortgage Insurance, and using data and technology to remove hundreds or sometimes thousands of dollars out of consumer closing costs.

## II. Opportunities for Leadership and Action

To address these challenges, I will use the rest of my testimony to elaborate on the features of the modern housing system that require attention from Congress, the Department of Housing and Urban Development (HUD), and the Federal Housing Finance Agency (FHFA) to make homeownership more achievable.

Throughout, I will provide information to support my primary argument that regulators must be given a mandate to enforce proper and fair competition between the Government Sponsored Entities (GSEs) and nurture innovation to lower consumer costs and drive more efficiency in the mortgage and housing market.

### A. Competition Spurs Innovation

First, we believe competition between the two GSEs is necessary to spur innovation, increase the responsible flow of credit, and achieve greater efficiency and affordability in the mortgage process.

Congress should re-evaluate any FHFA-imposed rules that prevent competition, innovation, and, ultimately, advancement between the GSEs.

One example of an FHFA conservatorship policy that has stifled competition through innovation is the recently finalized Housing and Economic Recovery Act (HERA) rulemaking, colloquially known as the "New Activities Rule."[1]

[1] See section 1321 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by section 1123 of the Housing and Economic Recovery Act of 2008 (Safety and Soundness Act), and the implementing rule effective as of 2023 entitled, “Prior Approval for Enterprise Products” 12 CFR Part 1253.

The net effect of this rule is to chill the ability of the GSEs to adopt improvements in their operations or procedures and limit innovation in their product offerings to keep up with the advances made by well-run lenders in the private sector. The pace of their evolution towards a simpler, faster, and more affordable mortgage process is consistently stymied by the delay and bureaucracy created by the “New Activities” rule.

When the GSEs compete, they strive to offer better products and policies, often through pilot programs, to attract lenders who ultimately pass these benefits on to borrowers. For lenders like UWM, competition among the GSEs via pilot programs and innovation means our advances in technology and service can ultimately be accessed by more Americans.

### B. Reducing consumer costs and streamlining the mortgage process (without increasing homeowner, lender, or systemic risk) by allowing new innovations to replace traditional, paper-based processes.

The mortgage process is replete with outdated processes and inefficiencies which result in increased consumer costs. As such, there are many opportunities for Congress to incentivize innovation capable of reducing many of the costs that currently burden consumers.

One such area is title insurance. Most mortgages today include both a lender's and owner's policy, in some cases both paid for by the owner. While certain solutions have been introduced in the market, such as an attorney opinion letter in lieu of a lender’s policy, the mortgage lenders and the GSEs must be incentivized to further innovate to find ways to alleviate the burden of unnecessary costs.

Another area begging for innovation is appraisals. The amount of housing data in the hands of the GSEs is enormous, and fair valuations of their collateral can be better achieved than through historical and inherently inefficient appraisal practices.  By increasing the adoption of virtual appraisals and appraisal waivers, modern data and analytics can be used to save consumers money.

As a final example for today, with more competition between the GSEs, we believe there would be more incentive to push the Credit Bureaus to compete not only on price but also on accuracy, reliability, and consumer accountability. Recently, there was a price increase for what is known as the Tri-Merge credit report (a hard credit pull from all three bureaus), which is required on all conventional mortgages.  The effective monopoly that the three bureaus collectively enjoy results in higher and unnecessary costs to consumers.

## III. In Conclusion

Simply stated, Congress should support FHFA in increasing competition by and between Fannie Mae and Freddie Mac. Congress can also lends it support to FHFA and HUD as they work with their HUD counterparts to reduce consumer costs, and harness the power of innovation to make home ownership more accessible and affordable. There are many complex economic variables that have collided to make it difficult for everyday Americans to buy a home. While it will take time to address many of these challenges, we are confident the commonsense reforms discussed today would go a long way towards reducing mortgage costs for consumers.

Thank you again for the opportunity to testify today. I look forward to answering your questions.