

27-Apr-2017

# Radian Group Inc. (RDN)

Q1 2017 Earnings Call

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# **Emily Riley**

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# Richard G. Thornberry

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### Derek V. Brummer

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# MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. Welcome to the first quarter 2017 earnings call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session with instructions given at that time. [Operator Instructions] And as a reminder, this conference is being recorded.

I'd now like to turn the conference over to the Senior Vice President of Corporate Communications and Investor Relations, Emily Riley. Please go ahead.

# Emily Riley

Senior Vice President-Corporate Communications & Investor Relations, Radian Group Inc.

Thank you and welcome to Radian's first quarter 2017 conference call. Our press release, which contains Radian's financial results for the quarter, was issued earlier this morning and is posted to the Investors section of our website at www.radian.biz. This press release includes certain non-GAAP measures which will be discussed during today's call, including adjusted pre-tax operating income, adjusted diluted net operating income per share and services-adjusted EBITDA. A complete description of these measures and a reconciliation to GAAP may be found in press release Exhibits F and G and on the Investors section of our website.

During today's call, you will hear from Rick Thornberry, Radian's Chief Executive Officer and Frank Hall, Chief Financial Officer. Also on hand for the Q&A portion of the call are Teresa Bryce Bazemore, President of Radian Guaranty; Derek Brummer, Executive Vice President and Chief Risk Officer of Radian Group; and Cathy Jackson, Corporate Controller.

Before we begin, I would like to remind you that comments made during this call will include forward-looking statements. These statements are based on current expectations, estimates, projections and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially. For a discussion of these risks, please review the cautionary statements regarding forward-looking statements included in our earnings release and the risk factors included in our 2016 Form 10-K and subsequent reports filed with the SEC. These are also available on our website.

Now I would like to turn the call over to Rick.

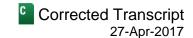
# Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you, Emily. Good morning. I want to thank each of you for joining us today as we [ph] represent (02:04) Radian. Since this is my first quarterly call at Radian, I would like to take a moment to introduce myself, provide an update on the CEO transition between S.A. Ibrahim and myself, and give you a glimpse into my first couple of months here. Next, I will provide highlights of our accomplishments in the first quarter, and then turn it over to Frank to review the details of our financial position.

For those of you who don't know me, my background includes more than thirty years of financial services experience, largely focused on mortgage banking and mortgage services. After beginning my career as a CPA at Deloitte, I've had the opportunity to be a leader at some of the most innovative mortgage industry businesses, both at large-cap companies and entrepreneurial startup businesses.

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I joined Radian as the CEO last month after S.A.'s planned retirement. S.A. had been at the helm for twelve years and I knew from the start I had big shoes to fill. The handoff from S.A. and I had been very smooth and the entire Radian team has been very helpful and supportive during this transition.

My decision to join Radian was based on the strong current state of the business, including a great team, broad market position, diversified set of products and services, a high-quality mortgage insurance portfolio, and an institutional commitment to serve customers. I believe that those differentiating qualities along with a strong capital base and solid profitability position us with an excellent market opportunity to play an important role in the transformation of the mortgage industry.

After nearly two months with the company, my excitement about the prospects ahead continue to grow as I learn more about our businesses and capabilities and meet with our customers, regulators and employees.

Going forward, we will leverage our core expertise in credit risk management and mortgage and real estate services to deliver the products and services that our customers will need to succeed in an environment where market requirements are rapidly changing. At the same time we will focus internally on improving our operational effectiveness in terms of service and costs, both to create competitive differentiation and to improve profitability and returns.

I look forward to meeting many of you in the coming months and sharing our vision for Radian's future. For today, I'm delighted to discuss the results of our first quarter and I'm pleased to report that we're off to a strong start in 2017.

First, net income increased 16% over last year to \$77 million or \$0.34 per diluted share. Adjusted diluted net operating income per share was \$0.37 and we grew book value by 9% year-over-year to \$13.58.

Second, we further simplified our capital structure during the first quarter. The series of capital actions that we have taken over the past two years have helped us earn several rating agency upgrades last year. This will continue to support our efforts to return to an investment grade rating at Radian Group, our holding company, and is important to enhancing our financial strength and strategic flexibility.

Third, we wrote 25% more mortgage insurance business in the first quarter than we did last year, a year ago. This new mortgage insurance business, which is expected to generate attractive returns, helped drive a 6% increase of our mortgage insurance in-force portfolio year-over-year. Radian has one of the largest high-quality portfolios in our industry, which is also the primary driver of future earnings for Radian.

Fourth, we continue to benefit from positive credit trends, and the credit quality of our new business remains strong. The best example of this is reflected in the breakdown of our mortgage insurance portfolio where our primary mortgage insurance risk in-force, including HARP loans, consisted of 89% of business written after 2008. This composition of mostly newer, higher quality business illustrates our company's success in driving new business volume and strengthening our mortgage insurance franchise through our solid customer relationships. We've provided details of our portfolio composition on webcast slide 9.

Turning to the Mortgage Insurance segment, we wrote \$10.1 billion in new mortgage insurance business in the first quarter, an increase of 25% compared to the \$8.1 billion written in the first quarter of last year. And we grew NIW at this level despite an estimated 5% decline in the overall origination market year-over-year. We're encouraged by the level of open commitments in the pipeline as well, which suggests solid volume at the start of the second quarter.

Based on market projections and our performance in the first quarter, we continue to expect to write approximately \$50 billion in NIW in 2017, which is comparable to 2016 levels.

It's important to provide context here around the interplay of our strong mortgage insurance volume, the interest rate environment, our product mix and the ultimate impact on our business, both short term and long term.

As we saw mortgage rates climb above 4% late last year and hover there until recently, similar to the overall mortgage market, we experienced a decline in refinance activity. In fact, refis represented only 16% of our NIW in the first guarter as compared to 27% in the fourth guarter of last year and 19% a year ago.

In the short term, what this lower refinance activity primarily means to our mortgage insurance business is a decrease in the accelerated recognition of net premiums on single premium policy cancellations. Frank will discuss this impact in more detail shortly.

More importantly, what it means in the longer term are higher persistency rates. Persistency, which is the amount of insurance that remains in force over a twelve-month period, is meaningful to our business given that even a relatively small increase of persistency can result in significant current and future premium revenue.

Our mortgage insurance in force, which I mentioned grew by 6% over the past year, is the primary driver of future earnings for Radian. In the first quarter alone, more than 90% of our NIW growth resulted from higher purchase volume, which is a trend we expect to continue based on industry projections.

We expect persistency to continue to increase this year and for our MI in force to grow accordingly, enhancing our strong foundation for future earnings.

Despite the slight uptick in rates and relatively low inventory levels in many markets, recent housing data points to a strong purchase market. For example, first-time home buyers represented a third of residential sales in the quarter and new home sales were up 16% from a year ago. And remember that private mortgage insurance is three to four times more likely to be used as a purchase versus a refinance transaction.

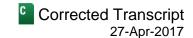
Turning to business opportunities beyond traditional mortgage insurance, we continue to focus on ways to leverage our core expertise in credit risk management to write more business and strengthen our franchise. We believe that the combined risk analytics and business intelligence gleaned from our Radian and Clayton combination is a unique advantage for us.

As we've mentioned in past quarters, we're participating in the GSE credit risk mortgage insurance transfer programs in the market today and we feel we are well positioned to assess and price mortgage credit risk for these and future programs. We will continue to evaluate market opportunities and we will walk before we run.

Turning to the credit environment, we continue to see positive credit trends and in the first quarter, we experienced our highest cure rate in nearly ten years. Radian's total number of primary defaulted loans declined again with a year-over-year decrease of 16% as you can see on slide 16. And our primary default rate fell to 2.8% from 3.5% a year ago.

Moving now to our Mortgage and Real Estate Services segment. We reported first quarter 2017 total revenues of \$40 million compared to \$53 million for the fourth quarter of 2016 and \$34 million a year ago. This includes

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revenue generated from cross-selling Clayton, Green River, Red Bell, and ValuAmerica services to our Radian Mortgage Insurance customers.

In my first months with the company, I've had the opportunity to visit several of our operational facilities across our different businesses and have been impressed with both the depth of knowledge of our people and the breadth of their experience. I look forward to learning more about how we can apply our core expertise in mortgage and real estate services to broaden our participation in the residential mortgage market value chain.

Turning to the regulatory and legislative environment, we are encouraged by recent actions that indicated an even stronger support for the important role of private capital in the future of housing finance. Our team, working directly with key decision makers in Washington D.C. and alongside the industry trade associations, is focused on critical regulatory and legislative issues for our business.

There is increasing activity and we are encouraged by the dialogue but it is too early to have an opinion on when and how it will all play out. In the meantime, we plan to closely monitor and we will actively participate where appropriate.

Having faithfully served homebuyers for 40 years, providing credit in both good as well as challenging times, we believe that we are well positioned to help shape our industry's future and to strengthen our housing finance system.

So before I turn the call over to Frank for the details of our financial position, I'd like to take a moment to thank Teresa Bryce Bazemore, the President of Radian Guaranty, for her service to the company. As we previously announced, she is retiring at the end of this month after 10 years with the company. Teresa's leadership during her tenure has been key to restoring the company's strong financial position and building a market leadership position in the mortgage insurance business. On behalf of the entire Radian team, I would like to thank her and wish her all the best in retirement.

So, Frank?

# J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

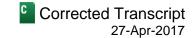
Thank you, Rick. And good morning. I'll start with the key drivers of our revenue. New insurance written was \$10.1 billion during the quarter compared to \$13.9 billion last quarter and \$8.1 billion in the first quarter of 2016.

The new business we are writing today continues to consist of loans with excellent credit characteristics. For example, more than 61% of NIW in the first quarter consisted of loans with FICO scores greater than or equal to 740, and only 6% with FICO scores below 680.

Our twelve-month persistency increased from 76.7% in the fourth quarter of 2016 to 77.1% in the first quarter of 2017 as noted on Exhibit L. Our quarterly annualized persistency, however, increased significantly from 76.8% in the fourth quarter of 2016 to 84.4% this quarter. I will discuss this further in a moment.

Primary insurance in force increased to \$185.9 billion at the end of the quarter, a 6% increase over the same period last year. Our expectation for 2017 is that insurance in force will continue to grow given the expected increase in persistency, though at this time it is difficult to estimate the precise amount of growth.

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Premium yields on our portfolio are dependent on several factors, including the mix of both new production and the composition of the existing portfolio. Our gross portfolio yield this quarter of 51 basis points decreased by approximately 3 basis points compared to last quarter as relates to lower single premium policy acceleration. Our expectation for gross portfolio yields is a gradual decrease with the resulting gross portfolio yield of 48 basis points to 50 basis points, which includes the expected impact of our price changes implemented in early 2016.

Keep in mind that the mix of the current production, which is a combination of product type, FICO and LTV, also impacts the portfolio yield and that the future mix is difficult to predict.

The impact of our current reinsurance-ceded premiums on our portfolio is a reduction of approximately 3 basis points, thus producing a net portfolio yield of 48 basis points.

All of this said, it is important to remember that the levered returns on required capital for our future production and our portfolio are expected to remain in the mid-teens.

Net earned premiums for the quarter decreased to \$221.8 million in the first quarter of 2017 from \$233.6 million in the fourth quarter of 2016. This decrease was primarily the result of decreases in the accelerated revenue recognition due to single premium policy cancellations of \$9.8 million and approximately \$2.6 million in related profit commissions under the single premium QSR as noted on Exhibit D.

Next, I want to discuss some of the areas that are impacted by rising rates and set some expectations about the overall impact of a rising rate environment. First, I'll discuss the direct single premium business which represented 25% of our total NIW in the first quarter compared to 27% in the fourth quarter 2016.

In a rising rate environment, refinance activity is expected to moderate and during the first quarter of 2017, we experienced a decrease in refinancing activity that resulted in a decrease in our accelerated revenue recognition due to single premium policy cancellations. This reduction in accelerated revenue recognition due to single premium policy cancellation represents a return to more normalized levels for this product type.

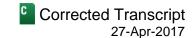
As you can see on Exhibit D, the premiums earned from single premium policy cancellations can be a fairly volatile number and without further catalysts for refinancings, we would expect this number to stay relatively low. Our retained single premium exposure this quarter was only 16% net of the insurance ceded with our single premium QSR.

Another direct effect of a rising rate environment is an expected longer average life of monthly premium policies noted by our higher persistency. Because of this elevated persistency and our high concentration in monthly policies, the expected overall impact of rising rates is a net positive to Radian. The reduction in near-term single premium acceleration revenues is more than offset by the enhanced earnings power that we expect from our much larger monthly premium portfolio over time.

To summarize, rising rates are expected to increase persistency, moderate premium acceleration on single premium policies, and bolster the net growth of our insurance in force which we expect to result in greater value creation for our shareholders.

Investment income increased from \$29 million in the fourth quarter of 2016 to \$31 million in the first quarter. It should also be noted that the duration of the portfolio has remained relatively unchanged at approximately five years with a portfolio yield of 2.84%, up 4 basis points from prior quarter. Additionally, we have virtually no

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exposure in tax-exempt municipal bonds. We will monitor potential tax reform and adjust our investment strategy accordingly.

Total services revenue for our Mortgage and Real Estate Services segment was approximately \$40 million for the first quarter as compared to \$53 million in the fourth quarter and \$34 million in the first quarter of last year. We saw increased year-over-year activity in most of our business lines with particular growth in the single family rental market, transaction management, and Red Bell valuation products.

Moving now to our loss provision and credit quality. We remain optimistic about the trends we see in our credit quality. As such, it is important to note that our primary risk in force, excluding HARP, consists of only 11% legacy business originated before 2009 and that those vintages are contributing positively to earnings as you can see on slide 12. This portfolio composition is unique and it can skew overall performance metrics in total where a legacy versus non-legacy analysis may be more informative.

For example, we continue to see the majority of our new defaults coming from our legacy portfolio, which represented 67% of the new defaults in the first quarter. While total new defaults declined 4% year-over-year, new defaults from our legacy portfolio fell 15%. We segregate our new defaults between our legacy and post-legacy portfolios on slide 16.

It is important to also note that only 18% of total primary defaults are from loans written after 2008, and these production vintages are producing a very low level of losses as you can see on slide 13. And as our post-legacy production vintages reach peak default years, which is typically in years four to six, we are seeing an expected increase in default activity though at very low rates.

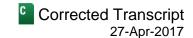
As Rick mentioned, our cure rate is at a near 10-year high at 21.7%, yet another sign of positive credit experience. Given continued improvement in cure rates, we reduced our estimated claim rate on new defaults from 12% to 11.5% in the first quarter. As in previous periods, we should note that while there is an expectation of future improvement in our new default to claim rate, if current trends continue, the timing of that improvement is difficult to predict. At this time we would expect a potential decrease in 2017 not to exceed 100 basis points, inclusive of the 50 basis point adjustment we made this quarter.

Additionally, as noted on slide 14, during the first quarter we had positive development of \$4.3 million on priorperiod defaults. This positive development was driven primarily by a reduction in claim rates on existing defaults based on the observed increase in cure rates on these defaults. This positive development was partially offset by a decrease in our estimated rescissions and denials.

Claims paid in the first quarter of 2017 declined from the fourth quarter of 2016 primarily due to the continued decrease in the overall default inventory as well as the elevated level of fourth quarter claims paid as a result of increased efficiencies in our claims processing. Overall, the performance of our portfolio remains strong with positive trends continuing, further evidence of the strong credit profile of both post-crisis business as well as greater predictability around the legacy portfolio.

Now turning to expenses. Other operating expenses were \$68.4 million in the first quarter compared to \$62.4 million in the fourth quarter of 2016 and \$57.2 million in the first quarter of last year. Notable increase to items impacting other operating expenses in the first quarter of 2017 as compared to the first quarter of 2016 include \$3.6 million associated with retirement and consulting agreements entered into in February 2017 with our former CEO. Additional expenses are expected to be recognized throughout the year. A portion of both the current and

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future expenses are subject to change based on the future performance of the company and former CEO. This is consistent with what we disclosed in our recent proxy statement.

Also included in other operating expenses is \$3.7 million related to variable and incentive-based compensation expenses, including an increase in the first quarter of 2017 for year-end bonus accruals related to the company's 2016 performance, as compared to a decrease in year-end bonus accruals in the first quarter of 2016.

Also included are \$2.4 million associated with various items, including periodic non-capitalized costs associated with recently deployed technology systems, as well as consulting services, including those related to the company's CEO search. Also included are \$1.2 million in expense driven primarily by depreciation related to the company's investment to significantly upgrade its technology systems.

Ceding commissions on reinsurance transactions in the first quarter were \$3.9 million compared to \$5.1 million in the fourth quarter of 2016 and \$4.4 million in the first quarter of 2016. This first quarter decline is attributable to lower single premium cancellation activity observed in the first quarter of 2017 compared to prior quarters and the associated impact on ceding commissions under the singles-only QSR. Details regarding these and other notable variable items impacting other operating expenses may be found in Exhibit D.

Excluding unusual items, we expect our future quarterly GAAP operating expenses to be within a range of \$62 million to \$66 million each quarter with a continued and concerted effort to increase our efficiency where possible. We expect there may be some variability from quarter to quarter due to the timing of activities for various initiatives.

Moving now to taxes. Our effective tax rate for the first quarter was 33.3%. The first quarter rate was slightly lower than the 35% statutory rate primarily due to the tax benefits associated with discrete items such as the accounting for employee share-based payments and the accounting for uncertain tax positions. Our expectation for 2017, excluding discrete items, is approximately the statutory rate of 35%.

And lastly, we have largely completed the capital plan that we outlined in late 2015 whereby we sought to improve our capital structure by removing the convertible notes and distributing our debt maturities more evenly as we continue to move forward on our path to returning to investment grade at the holding company.

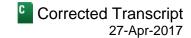
In the first quarter, we executed on our previously announced settlement of the 2019 convertible notes, which brought our holding company cash position to \$360 million at quarter end, in line with our targeted levels. Under the private mortgage insurer eligibility requirements or PMIERs, we had available assets of \$4.1 billion and our minimum required assets were \$3.8 billion as of the end of the first quarter 2017. The excess available assets over the minimum required assets of approximately \$300 million represents an 8% PMIERs cushion.

In addition, holding company liquidity could be utilized to enhance the cushion if needed, which if fully utilized would bring our cushion up to almost 18%.

We believe that we will continue to be in compliance with the PMIER's financial requirements without the need to contribute additional capital to Radian Guaranty from Radian Group. Although subject to fluctuations quarter to quarter, it is also expected that Radian Guaranty will continue to build available assets organically over time.

Our plans for future capital actions will continue to be in the context of positioning the company for future growth while being mindful of further rating agency upgrades and shareholder preferences. We have no significant

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remaining debt obligations until 2019. We expect further significant improvements in our capital and liquidity position over time given the health of our company, and we will keep investors well informed of our plans.

I will now turn the call back over to Rick.

# Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you, Frank. Before we open the call to your questions, let me remind you that we grew book value per share by 9% over last year, NIW increased by 25% year-over-year, and MI in force grew 6% which is the primary driver of future earnings. Services revenues increased 16% year-over-year and we continue to generate cross-sell revenue. We continue to improve our capital and liquidity positions. Over the past two years we've decreased our debt to capital ratio from 34.6% to 25.7% and decreased our total number of diluted shares outstanding by 11%.

Now, operator, we would like to open the call to questions.

# QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question will be from Phil Stefano with Deutsche Bank. Please go ahead.

### Phil M. Stefano

Analyst, Deutsche Bank Securities, Inc.

Yeah, thanks. And good morning. On the fourth quarter earnings call, it felt like the guidance for NIW for this year was going to be kind of flattish. Given the strong first quarter, I am wondering if there's any revised thoughts around that. And I guess kind of as a corollary, but not too unrelated, some of the market share fallout from Arch that was anticipated doesn't seem to be coming through. There's also Genworth which has some inherent uncertainties in their operations. I was hoping [indiscernible] (30:29) give us an update on what you're seeing for this market share shakeout and any thoughts you might have around how we should be thinking about that for the year as it unfolds.

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

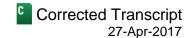
Great, Phil. Thanks for the question. This is Frank. The first part of your question related to the NIW guidance being relatively flat. That's still the expectation currently. And dovetailing to your next question regarding market share fallout, that estimate of flat was inclusive of expectations around market share shift as well. Certainly that expectation could change over time but at the moment, that's what we feel like is the appropriate forward look.

#### Phil M. Stefano

Analyst, Deutsche Bank Securities, Inc.

Is market share starting to be taken out of Arch and Genworth? And if not, do you have any thoughts on why that's the case?

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#### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Sure. So I think it's too early to tell right now and I think if you listened to the commentary that they provided, I think there's reason to just wait and see how that plays out. But certainly there is an expectation that there should be some fallout, but again, too early to tell right now.

#### Phil M. Stefano

Analyst, Deutsche Bank Securities, Inc.

Okay. And I'm looking at slide 13 from the presentation, the cumulative incurred loss ratio, and if we look at 2016, the after-24 months number of 2.8% feels like it's a bit of a break from the recent trend for the post-crisis books. Any thoughts on what's going on there? Is there something inherently strong about the 2016 book of business?

#### Derek V. Brummer

Chief Risk Officer & Executive Vice President, Radian Group Inc.

This is Derek. I think when you look at that, you have to factor in it's very early on in the development. The numbers we're talking about is a pretty minor difference. And you have to keep in mind in terms of loss ratio development, you're also factoring in kind of the earnings on the book of business, so the prepays impact that as well. So it's too early and too small a difference to really draw any conclusion from that.

### Phil M. Stefano

Analyst, Deutsche Bank Securities, Inc.

Okay. All right, well, thanks. And best of luck for the rest of the year.

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Thank you.

### Derek V. Brummer

Chief Risk Officer & Executive Vice President, Radian Group Inc.

Thank you.

**Operator:** And next we go to Randy Binner at FBR. Please go ahead.

# Randy Binner

Analyst, FBR Capital Markets & Co.

Hi. Good morning. Thank you. I had a couple. One was on the – I think you gave a guide of \$62 million to \$66 million for GAAP expense per quarter. Is that inclusive of the elevated compensation expenses that you're expecting?

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

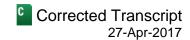
Randy, this is Frank. Yes, the estimate does include what we spoke to about the elevated compensation related to the CEO transition plan.

# Radian Group Inc. (RDN) **Corrected Transcript** Q1 2017 Earnings Call 27-Apr-2017 Randy Binner Analyst, FBR Capital Markets & Co. And can you size that, what that could be roughly per quarter? Is it kind of... J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. Sure. Randy Binner Analyst, FBR Capital Markets & Co. Thank you. J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. Yeah, absolutely. That's roughly \$1 million a quarter. But I do need to emphasize that that is a performance-based payment, so there is the opportunity for that to fluctuate. Randy Binner Analyst, FBR Capital Markets & Co. Okay. I'll go to the proxy for the sensitivity. And then the cure rate you said was about 50 basis points better and wouldn't go down below I think 11.0%, if I got your comments correctly. Where can that bottom out in "normal or good times"? Could it go down 10% or even better? J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. Yeah, Randy, so we have guided previously that – and that's the default to claim rate – moving from 12% to 11.5% in this quarter. We've guided that we could see that go to as low as 10% and certainly if the positive credit trends that we're seeing right now continue, there's certainly an opportunity for that. But to try to estimate the timing of when that could occur is just too difficult to predict. Randy Binner Analyst, FBR Capital Markets & Co. But based on everything we're seeing in these numbers, the trend shouldn't continue to improve there. J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. Yes, that's the expectation. And let me just clarify, the full year guidance on that again is a 100 basis point decrease throughout all of 2017, inclusive of the 50 basis point reduction that we had this quarter. Randy Binner Analyst, FBR Capital Markets & Co.

**Operator:** Our next question is from Mark DeVries at Barclays. Please go ahead.

Understood. Thank you.

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### Mark C. DeVries

Analyst, Barclays Capital, Inc.

Yeah, thanks. Follow-up question on your guidance around other operating expenses. If we take the midpoint of that range, it implies expenses up year-over- year, which is a bit surprising given some of your initiatives to try and take out costs. Just wanted to get some better sense of like what of those notable items you called out is recurring and why are we not seeing a little bit more operating leverage in 2017.

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Right, Mark, so this is Frank. The guidance, the range of guidance that we gave actually does include the severance payments – or excuse me, the ongoing consulting payments related to our CEO transition. So that is – again, that's new to that particular line item. And then as you think about what's included there – and the reason we call out the items on Schedule D is because there's variability in each of those items on a quarterly basis. We give you the total expense on Schedule D just to help you gauge what you might think is a normal run rate number. So as we look at things like bonus accruals and those changing over time, they only happen in the current year and it's difficult to predict but, again, we put that in there to help guide you a little bit on making your own estimate.

The part of what's included on Schedule D, though, to answer your question directly about what's recurring, relates to the technology expense. And we said that we would call out the depreciation expense associated with the modernization initiative that we have. And right now that is about \$2.5 million a quarter. But what can make that number a little volatile on Schedule D is that it also includes the non-capitalizable expenses for that particular initiative. So there may be some consulting expenses associated with putting the technology in place that are one-time in nature – or excuse me, are just related to that particular implementation of the new technology.

Rick, I don't know if you want to add any other thoughts on expenses.

### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah. Good morning, Mark. This is Rick. I also just wanted to add to Frank's comments that I think as I come into the company and we focus on strategic growth opportunities, Frank and the team and I are focused on improving our operational effectiveness and improving margins across all of our businesses. So this will be a core focus for the entire team as we go forward, as it's imperative, yeah, not only to continue to improve our financial results on our margins, but I think, from a competitive point of view, we're highly focused on trying to increase our efficiency. So I think where we sit today, we are in a position where we have opportunity to continue to challenge ourselves to think about the composition of our expenses.

### Mark C. DeVries

Analyst, Barclays Capital, Inc.

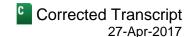
Okay, got it. And then I had another question, Frank, about your comments around the premiums. So you said a lot of things there. It sounds like before reinsurance are you guiding to 48 basis points to 50 basis points in terms of where you're headed, with another 3 basis point drag from the reinsurances we saw this quarter? Is that the right way to look at it?

#### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

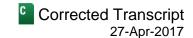
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That is correct. The gross portfolio yield has an expectation of 48 basis points to 50 basis points. Mark C. DeVries Analyst, Barclays Capital, Inc. Okay. And what about the direction of the impact from reinsurance from here? Do you expect that to continue to drift up as well? J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. No, I would not expect it to drift up. Mark C. DeVries Analyst, Barclays Capital, Inc. Okay. So is there still – given what the average premium was, around 48 bps this quarter, you still see some downside over the next year or two in that? J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. Yes, and that was really a point that we wanted to clarify here is that as you look at the portfolio mix shift that occurs naturally over time, we have some older vintages coming off at higher premium yields and rates, and so we just want to set that expectation. Mark C. DeVries Analyst, Barclays Capital, Inc. Okay. In terms of the amount of premium you realize from the early cancellation on singles, given where rates are now, does that feel like a sustainable run rate? Would you see that a little bit higher in the second quarter just given a little bit more refinance activity in the summer months, or how should we expect that to trend? J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc. It is – I mean, it is a difficult number to predict. We said that this feels like an appropriate level given the rate environment that we're in. But I'll be honest, the number has potential to be volatile, and it is very much, as you noted, triggered off of the refinance activity. So I think given where the expectations are for rates going forward and persistency et cetera, this quarter feels like about the right level, but again, I wouldn't want to try to put a fine point on it for future quarters. Mark C. DeVries Analyst, Barclays Capital, Inc. Okay. Fair enough. Thanks. **Operator:** And we go now to Bose George with KBW. Please go ahead. Bose T. George Analyst, Keefe, Bruyette & Woods, Inc.

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Good morning. Actually, switching to the insurance in-force guidance, you guys noted that you expected it to grow faster just because of the improved persistency. And is that faster relative to the 6% you did year-over-year in the first quarter or faster relative to the 4.5% you did for the full year in 2016?

#### J. Franklin Hall

А

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Our expectation, our guidance around that really isn't unchanged given the performance that we've seen thus far but, again, because persistency does have such a heavy impact on that number, it's certainly subject to change, and if persistency increases, it would change to the high side obviously.

# Bose T. George

Analyst, Keefe, Bruyette & Woods, Inc.

So again, just in terms of the baseline, can we think the 6% is a baseline and can grow from there?

#### J. Franklin Hall

Д

Chief Financial Officer & Executive Vice President, Radian Group Inc.

That's a tough one to estimate. Again, you saw the change in persistence quarter-over-quarter contributing to that 6% growth. I think the two are obviously highly correlated. So I don't know that I'd want to go much further out as far as estimating.

### Bose T. George

Q

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. No, that's fair enough. Thanks. And then actually just switching to the Mortgage Services segment and just the quarter-over-quarter change, is there some seasonality that's driving some weakness there, and how should we think of the year-over-year performance for that segment?

#### J. Franklin Hall

А

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Sure, Bose, this is Frank again. The services revenue is a challenging one as you've seen in our past experience to estimate it just because of the nature of the services that are delivered. There can be some timing implications there that can either push or pull the revenue to or from any given quarter. So it really is difficult to estimate. We give in our earnings slides sort of the history of what those components of the revenue look like over a time horizon. There is probably a little seasonality to it but I think if you just look at any given time horizon to try to see what falls out as it relates to an average is probably a reasonable way to approach it.

#### Bose T. George

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Great. Thanks.

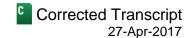
Operator: Our next question is from Vic Agrawal at Wells Fargo. Please go ahead.

# Vivek Agrawal

Analyst, Wells Fargo Securities LLC

Good morning. Thanks for taking my questions. I just wanted to get your thoughts on Fannie Mae's new program to accommodate student loan debt. Do you see that adding meaningfully to purchase volumes over the next couple of years, and how do you look at the pricing for the risk of this new product?

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### Derek V. Brummer

Chief Risk Officer & Executive Vice President, Radian Group Inc.

This is Derek. I don't see it adding meaningfully and I think that some of the changes Fannie made, the industry had already made some of those changes; Freddie was in a similar place. So I think that's incremental in terms of its potential impacts. So I wouldn't see it as really having a material impact overall.

Vivek Agrawal

Analyst, Wells Fargo Securities LLC

Okay. And then on the loss ratio year-over-year on the 2008 and prior book increased meaningfully from [ph] 58 or so to 80-ish (43:41). Was there any particular vintage or geography causing that increase?

Derek V. Brummer

Chief Risk Officer & Executive Vice President, Radian Group Inc.

No, I don't think anything stood out in terms of from a vintage perspective. And again, I think the fact — when you're factoring in the loss ratio, you always have to factor in the prepayments, right, because — so to the extent you have kind of accelerations of single premiums fall down, that actually impacts the loss ratio in a negative way. So nothing stood out though in terms of from a vantage or I don't think a geographic perspective either.

Vivek Agrawal

Analyst, Wells Fargo Securities LLC

Okay. Thanks for the answers.

Operator: We'll go now to Chris Gamaitoni at Autonomous Research. Please go ahead.

Chris Gamaitoni

Analyst, Autonomous Research US LP

Good morning. Thanks for taking my call. What's the gross effective premium yield for new business you're writing today?

J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

So the gross yields of what we're writing today is on – of course this depends on what the mix of business is, but it's right around the 50 basis point level.

Chris Gamaitoni

Analyst, Autonomous Research US LP

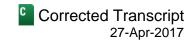
Can you help me square that with – one of your competitors kind of gives out the stats, and they're running monthlies in the upper 50s to low 60s. So is it really just the impact of singles? And if so, what's the average duration you're using on that estimate for revenue recognition?

J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Yeah. So, I mean, the singles production certainly plays into it when you look at the total mix of what's being produced. We're not – I mean, keep in mind too that the pricing among competitors is relatively consistent, so there is a fair amount of mix consideration to take into account there.

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Derek, I don't know if...

#### Derek V. Brummer

Chief Risk Officer & Executive Vice President, Radian Group Inc.

A

Yeah. This is Derek. I think from looking it at from a competitive standpoint, there aren't really material differences. Again, the pricing in the industry I think is much more uniform today. I think Frank was giving a blended rate. High 50s, around 60 bps in terms of the monthly is about right. And again, there's not a big difference in terms of where people are pricing that monthly business.

### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.



And this is Rick. And I would just add, too, the fact that some part of that is also the attributes for each company in terms of the different risk attributes around LTV, in terms of geography, all the different mix variances. So we take a look at this on a total return basis at a relationship level across all our products. So we feel that we're very comfortable where our mix is, relative to the risk attributes, that we're in the right place. But there are differences between entities based upon just risk attributes and other loan borrower attributes.

### Chris Gamaitoni

Analyst, Autonomous Research US LP



Okay. And then just a clarifying point on the GAAP expense guidance. Does that \$62 million to \$66 million per quarter include the technology spend or is it excluded?

#### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.



It includes it.

#### Chris Gamaitoni

Analyst, Autonomous Research US LP



Includes, okay. And then finally, is there any update on you filling Teresa's role as she retires?

# Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.



Yes, good morning, Chris. This is Rick. I've had the pleasure of being here the past eight weeks of really getting to know the organization. One of the things that I learned very, very quickly, that I had a hunch as I came in, that we have an exceptional team here. So from a senior management point of view across all the different functional groups, I think we're pretty strong. And so at this point I'm going to leverage the existing team as it exists today, use it as an opportunity to get closer to the business.

My plan from an organizational structure as we go forward is really to align our team based on the future needs of the company. So I think at this point, leveraging really a very, very strong team that's in place to kind of move forward with is the right answer.

### Chris Gamaitoni

Analyst, Autonomous Research US LP



Okay. Thank you so much.



**Operator:** [Operator Instructions] Our next question comes from Mihir Bhatia with Bank of America. Please go ahead.

Mihir Sudhir Bhatia

Analyst, Bank of America Merrill Lynch

Hi. Good morning. And thank you for taking my questions.

J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Morning, Mihir.

Mihir Sudhir Bhatia

Analyst, Bank of America Merrill Lynch

On the cure rates – and you mentioned that the – you talked about your expectations for this year, and I understand that and you don't want to give longer term guidance at this point, I understand that. But can you help us with what needs to happen, what do you need to see for you to get comfortable to get that default to claim rate lower, if you will? So I guess really what I'm asking is what are the drivers and trends that you need to see to get [ph] better (48:22) affecting that assumption?

#### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Sure. Mihir, this is Frank. The trends really just need to continue as we've seen them, I mean, continued positive credit trends overall. We have a model that has, as you might imagine, a range of inputs and all of those are just based on – or what the result of that model produces is really just a result of the inputs, and they're all related or triggered off of improvements in credit trend that result in reductions in roll rates in the future. So there's not one variable you can point to to say this is the triggering event, but if you just continue to see the positive credit trends that we've seen, it should materialize itself in a reduction in that default to claim rate.

Derek, I don't know if you'd add to anything else to it?

Derek V. Brummer

Chief Risk Officer & Executive Vice President, Radian Group Inc.

Yeah. I mean, what you're going to look at in terms of making those decisions is incremental increase in your cure rate. So as that goes up, that's going to kind of give you comfort. And then also the propensity of loans in the defaults inventory to roll to claim, and that's been kind of gradually improving over time. To the extent that continues, you would expect the roll rate to go down over time along with it. But those are the factors you would look at.

Mihir Sudhir Bhatia

Analyst, Bank of America Merrill Lynch

Okay, got it. That's helpful. And then just clarifying again, on operating expenses, the GAAP guidance, the \$62 million to \$66 million, is that – including everything that's the number that you think today is going to be reported or are there other one-time things that are not included that you know of today? I understand that you don't know all the one-time things that will happen in the future, but are there one-time things that you know of that are excluded from that \$62 million to \$66 million number?

Chief Executive Officer & Director, Radian Group Inc.

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J. Franklin Hall Chief Financial Officer & Executive Vice President. Radian Group Inc.	A
Yeah, so the guidance that I gave specifically excludes things I don't know about.	
Mihir Sudhir Bhatia Analyst, Bank of America Merrill Lynch	Q
Right, right.	
J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc.	A
So it includes what we expect to occur this year.	
Mihir Sudhir Bhatia Analyst, Bank of America Merrill Lynch	Q
Okay, got it. That's helpful. And then just last question, just on the servicing business. Again maybe it's a big picture question on just housing in general, but what needs to happen for that business to start generating positive earnings after corporate allocations and all that stuff even on a pre-tax basis, because it feels like it's been a couple of years now of negative contributions from that business, so	
Richard G. Thornberry	Λ

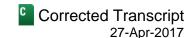
Mihir, good morning. This is Rick. I'll take that question. I think, look, we have some great assets across that business in terms of the Clayton business that we have, Red Bell, Green River, ValuAmerica and where my focus is working with Jeff and the team across those different services businesses to put our services businesses in a position to make a meaningful contribution to our results.

I think as we go forward through this year we're making good progress across a number of fronts and I think we expect to see the benefit of that work start to come through the financial results. Longer term, taking these assets that we have and really positioning them across the mortgage value chain in a more effective way I think is our focus and also leveraging the scale we have across those businesses. So we have great customer relationships, we have the opportunity for cross-sell across the MI customer basis which today we've only begun to scratch the surface I think.

So as we look going forward, I think we should expect to see continuing opportunity across all those different businesses and we'll be focused on refining kind of the positioning of the businesses, the products and services that we offer in each. But I've been quite impressed as I've gone through and visited each of them and spent time with the team. Very experienced, we have a lot of talent, and I think we have highly relevant products that to some degree we need to just continue to evolve to kind of meet the future needs of the industry which is part of what I'm excited about here.

excited about here.	
Mihir Sudhir Bhatia Analyst, Bank of America Merrill Lynch	Q
Great. Thank you. Thanks for taking my questions.	
Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc.	A

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Our pleasure.

**Operator**: And our next question will go to Geoffrey Dunn with Dowling & Partners. Please go ahead.

### Geoffrey Murray Dunn

Analyst, Dowling & Partners Securities LLC

Thank you. Good morning. I'm sorry to beat this to death, but I'm still not seeing a couple of things on both premium and expenses. It looks like stripping out reinsurance and refundings, you're down 2 basis points sequentially on your gross premium yield. What is it about mix that's so different sequentially to cause that big of a jump? I would think that the mix under the new pricing would create a much more gradual drag. So was there any meaningful move in the amortization of singles or something else? How did you get such an abrupt move just over one quarter?

#### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Geoff, this is Frank. Good morning. As we look at the quarter-over-quarter change, there certainly is, we've estimated, a 3 basis point impact due to single premium acceleration. The rest of it really is the mix of the business in actually what's coming out of the portfolio with some of those older vintages bringing that down that had higher premium rates. So that's what's driving the sequential decrease, and that's why it's important for us to get in front of this and give the right guidance around what we're seeing around portfolio yields and hopefully our clarification there is helpful to you.

### Geoffrey Murray Dunn

Analyst, Dowling & Partners Securities LLC

Okay. So it's more the higher priced bulk stuff that might still be on the books that's shaking off, it's not necessarily the 2016 pricing per se.

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

That's correct.

### Geoffrey Murray Dunn

Analyst, Dowling & Partners Securities LLC

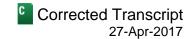
Okay. And then on expenses I'm still confused as to what your guidance actually is. So this quarter if you strip out all the various callouts, it looks like the core consolidated expense was \$56.7 million. Is that what your \$61 million to \$66 million is around or do we add the \$3.5 million tax spend back to that which would put us around \$61 million for this quarter and then the guidance is relative to that \$61 million?

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Geoff, the items on Schedule D are not intended to be excluded or viewed in any way other than we're showing what the total of each of those items are. And as you can see on each of those items, there are portions of those expenses that are ongoing but may have some volatility. Again, the best example is bonus accruals is a good example of that. And then also the volatility around the modernization expense; there's part of it that's ongoing, there's part of it that is not ongoing. So, I mean, it's difficult to just say take the items on Schedule D, subtract them from the expenses. That's not the right way to use Schedule D, which is, again, why we think we just want to

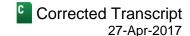
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provide a range on the GAAP guidance in that range of \$62 million to \$66 million and there will be some variability to it. But it is an all-inclusive number; as I said, it includes things such as the ongoing consulting costs related to our former CEO. So just trying to help you out with a GAAP number.

Geoffrey Murray Dunn Analyst, Dowling & Partners Securities LLC	Q
Okay. So the comparable number to your guidance is the \$68.4 million consolidated operating expense you reported this quarter.	ı
J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc.	Д
That is correct.	
Geoffrey Murray Dunn Analyst, Dowling & Partners Securities LLC	Q
Okay. Great. Thank you.	
Operator: And next we go with Douglas Harter at Credit Suisse. Please go ahead.	
Douglas Harter  Analyst, Credit Suisse Securities (USA) LLC	Q
Thanks. As you continue to build up capital in the subsidiary, have you had talks with Pennsylvania about establishing some sort of quarterly dividend?	
J. Franklin Hall Chief Financial Officer & Executive Vice President, Radian Group Inc.	Д
This is Frank. Keep in mind that the dividend for us from Radian Guaranty to Radian Group is really not an important part of our discussion related to parent company cash flow because we have an existing expense sharing and interest-sharing agreement. So when we talk about capital building at Radian Guaranty, we're at it more on a long-term basis as it relates to supporting the capital needs of generating NIW each period at then also in the context of longer term plans. So it is a conversation that will eventually be had because as look out across the time horizon, you can see that our PMIERs cushion continues to grow over time. And so barring any other organic uses of that capital within Radian Guaranty, it's certainly something that we will be looking at some time in the future. Now, keep in mind that a dividend request from Radian Guaranty to Radian Group is not necessarily a signal of shareholder capital plans, but that is certainly an option that we will be studying as well.	looking and we o e
Douglas Harter  Analyst, Credit Suisse Securities (USA) LLC	Q
Great. Thank you, Frank.	
Operator: And next we go to Jack Micenko at SIG. Please go ahead.	
Jack Micenko Analyst, Susquehanna Financial Group LLLP	Q

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Hi. Good morning.

#### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

A

Good morning, Jack.

#### Jack Micenko

Analyst, Susquehanna Financial Group LLLP

Q

Good morning. Comparing I guess the actual to the annualized persistency, annualized running a little over 84% for the first quarter, why shouldn't persistency move to that number over time if rates stay flat or even increase? And it's important given the trajectory of the modeling of insurance in force. So curious what you think, Frank, around persistency once we get a couple of quarters past this move in rates.

### J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.



Sure. So what we've said historically is that we would expect long-term persistency rates to be low to mid 80s. That is, I will call it, a long-term blended number over time. We saw a pretty significant uptick in it this quarter. It really is largely dependent upon rates, and so it's hard to predict with precision. But that low to mid 80s number is probably still a good long-term number to use but we might see it above that a little bit. In fact, I think historically dating way back, we've seen numbers in the high 80s before on persistency. But the low to mid over a longer time horizon is really what we speak to when we give that guidance.

### Jack Micenko

Analyst, Susquehanna Financial Group LLLP

Okay.

### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.



And this is Rick. I think if we look at industry forecasts, we would expect for it to migrate towards those levels but it's obviously subject to all the other volatility that can happen in the market.

### Jack Micenko

Analyst, Susquehanna Financial Group LLLP



Sure. Okay. And then the investment income line had a step-up this quarter. I guess I am trying to figure out is that just the reinvestment into higher yields as rates have moved up, or was there anything this quarter, sort of a one-timer that maybe drove that number a little higher? Trying to figure out what the right run rate to model the investment income on.

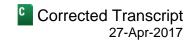
# J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.



Sure. So you're correct, the investment income is up. I said we had a 4 basis point increase quarter-over-quarter. It is the reinvestment of cash flows coming out of the portfolio. The one point that I would also make, we've said that our duration is relatively unchanged, right around five years. It actually has shortened just a little bit. So I think what you're seeing is the net effect of both reinvesting at a higher rate but also taking the opportunity to – I won't call it a tremendous shortening of duration, but coming in just a little bit.

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Jack Micenko

Analyst, Susquehanna Financial Group LLLP

Okay. All right. Thank you.

Operator: And our last question comes from Mackenzie Aron at Zelman & Associates. Please go ahead.

Mackenzie Aron

Analyst, Zelman & Associates

Thanks. Good morning. I guess just to circle back to Clayton, I know there's obviously a lot of volatility there in the revenue line, but can you maybe just help provide a little more framework around the different pieces of that business and what the outlook is, which ones are growing, which ones might face more just headwinds from originations being down, just to help get a better sense of how we should be thinking about framing that business going forward?

J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Sure, Mackenzie. This is Frank. So some of the businesses that are growing there are certainly – the Red Bell business, we would expect to see some continued growth there. ValuAmerica, would expect to see some there as well. And of course anything related to the return of the private label market, but we're not planning to see any significant increases related to that dynamic in the future. But that's generally, I would say, where you should expect to see some of the growth there.

Rick, I don't know if you'd...

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah. This is Rick. I think, look, we're at a point – I'd agree with Frank's comments. I think we're a point where each of these businesses are positioned in the marketplace that – and we can talk about each one of them specifically, there are opportunities for each one. So we see cross-sell opportunities certainly across the Red Bell and the ValuAmerica opportunities. But I think as it relates to the Clayton transaction services businesses, we continue to see new opportunities developing across our customer base there. And Green River on the REO side has seen some decline from just an overall market decline in REO volumes but we see consolidation opportunities there.

So we're very focused on each business and how they're positioned in the marketplace and I think as we go forward, really leveraging both our cross-sell customer relationships and just the organic opportunities of each business will present us opportunities. But probably a little too early to provide a whole lot more guidance than that as we're kind of positioning those businesses to go forward.

Mackenzie Aron

Analyst, Zelman & Associates

Okay. Great. We'll look forward to seeing what happens there. And best of the luck with the rest of the year.

J. Franklin Hall

Chief Financial Officer & Executive Vice President, Radian Group Inc.

Thank you.

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**Operator:** Thank you. And with that, we'll turn the conference back over to Chief Executive Officer Rick Thornberry.

# Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Well, thank you, everybody. It's been a pleasure to do my first call today and I look forward to having many other conversations with each of you as we go forward. And again, we appreciate the time. And have a great day.

**Operator**: That does conclude our conference for today. Thank you for your participation and for using AT&T TeleConference. You may now disconnect.

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