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# Radian Group Inc. (RDN)

Q4 2019 Earnings Call

### CORPORATE PARTICIPANTS

#### **Emily Riley**

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#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

#### J. Franklin Hall

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

#### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

### OTHER PARTICIPANTS

Jack Micenko

Analyst, Susquehanna International Group, LLP

Mark C. DeVries

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**Bose George** 

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### MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

**Operator:** ...standing by. Welcome to the Fourth Quarter 2019 Earnings Conference Call. At this time, all phone lines are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given to you at that time. [Operator Instructions] And as a reminder, today's conference is being recorded.

I'll now turn the conference over to Emily Riley, Senior Vice President-Investor Relations. Please go ahead.

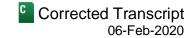
#### **Emily Riley**

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

Thank you, and welcome to Radian's fourth quarter and year-end 2019 conference call. Our press release, which contains Radian's financial results for the quarter, was issued last evening 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, adjusted net operating return on equity, 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.



Q4 2019 Earnings Call



In addition, we have also presented a related non-GAAP measure, Services-adjusted EBITDA margin, which we calculate by dividing Services-adjusted EBITDA by GAAP total revenue for the Services segment.

This morning, 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, is Derek Brummer, Senior Executive Vice President of Mortgage Insurance and Risk Services.

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 2018 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.

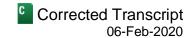
Thank you, Emily, and good morning. Thank you all for joining us today and for your interest in Radian. I am pleased to report another outstanding quarter and year for our company. 2019 was our first full year of operating under our ONE Radian brand, reflecting the combined strength of our unified company. Our team not only performed at a very high level, we also continued the strategic transformation of our MI business model, capital structure and our Services businesses. I am pleased to share some of the highlights from 2018 with you this morning.

Before we begin, I'd like to recognize our team across our Mortgage and real estate businesses and to thank our customers, investors, business partners, and board for their support and helping us deliver these excellent results.

Now, let me review the highlights from an exceptional year. We earned net income for the full-year 2019 of \$672 million or \$3.20 per share. Adjusted pre-tax operating income for the year was \$855 million and adjusted diluted net operating income per share was \$3.21. Return on equity was 17.8% and adjusted net operating return on equity was 17.9% for 2019. We wrote \$20 billion of NIW in the fourth quarter, which is a 57% increase over the fourth quarter of 2018 and the second highest quarterly volume of flow NIW in our history. This contributed to our record-breaking volume of new flow business written in 2019 of \$71.3 billion and marked our fourth consecutive year of record annual volume.

We grew our primary insurance in force by 9% year-over-year to \$241 billion; our Mortgage Insurance portfolio, which is one of the largest in our industry, is the primary driver of future earnings for our company. We believe the projected future earnings and economic value of this portfolio provides us with significant, strategic financial flexibility. The composition of our Mortgage Insurance portfolio continues to improve; today 95% of our primary risk in force consists of business written after 2008. We strategically transformed our MI pricing approach through the rollout of RADAR Rates in early 2019, combined with other innovative pricing structures. Most importantly, this combined approach provided our customers with choices for doing business with Radian and significantly increased the granularity and flexibility of our risk-based pricing. As I've said, we believe this environment plays to our strength where we can leverage our proprietary data and analytics to evaluate risk at a loan originator and servicer level and deliver risk-based pricing to our high-quality customers through a variety of digital channels.

Q4 2019 Earnings Call



Our focus is on meeting the needs of our customers balance with maximizing the economic value and future earnings of our Mortgage Insurance portfolio. For our Services segment, we reported total revenues for the full-year 2019 of \$170 million, a 9% increase compared to 2018. Consistent with the strategic positioning of our Services segment and our focus on our core products and capabilities, we sold Clayton Services last month. Now that the sale of Clayton Services is complete, we continue to focus on building our remaining high-value real estate businesses through a data-driven digital transformation that has come to define our ONE Radian strategy. These businesses include title, valuation, asset management, which include our REO and single-family rental businesses and our other digital real estate services. We are excited about the future and we remain confident that we have the customer relationships and the team to grow revenues, financial contribution, and value going forward.

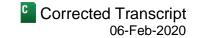
In 2019, we took several steps to optimize our capital and liquidity position. We returned \$370 million in capital from Radian Guaranty to Radian Group; this is in addition to other reimbursements made to Radian Group from its subsidiaries based on our interests and operating expense sharing agreements. We purchased 13.5 million shares of Radian Group common stock, returning \$300 million to stockholders. We reduced our total debt outstanding, lowered our cost of financing, and improved our debt maturity profile. We have continued to strategically transform our insurance business from a buy-and-hold model to an aggregate, manage and distribute model, lowering the risk profile and through-the-cycle volatility of the business.

In April 2019, we executed our second Mortgage Insurance-linked notes transaction for \$562 million. Earlier this week, we executed our third Mortgage Insurance-linked notes transaction for \$488 million, which further enhanced our capital efficiency and strengthened our risk profile. And Last month, we entered into a new quota share reinsurance arrangement for premium – single-premium business written in 2020 and 2021. This program includes a 65% session of business and other terms that are similar to our existing 2018 Single Premium QSR transaction. We believe there are a number of strategic benefits from leveraging and regularly accessing both the capital and reinsurance markets to distribute risk, including increased financial flexibility, a reduction of our overall cost of capital, enhanced capital efficiency and, most importantly, the opportunity to reduce portfolio and financial volatility through economic cycles. Overall, during 2018, we made significant progress by strategically transforming our business and establishing a firm foundation for the future with a focus on leveraging data and analytics and technology across our businesses, including through granular risk-based pricing, risk distribution, strategic capital management and the execution of our real estate services strategy.

Now, I'd like to spend a few minutes on the mortgage market and regulatory environment. The mortgage origination market was strong again in the fourth quarter with low-interest rates driving high-quality purchase loans, where Mortgage Insurance is generally 3 to 5 times more likely to be used as well as increase refinance activity. Mortgage rates remain at attractive levels for both homebuyers and certain homeowners looking to refinance their existing loan, and the market continues to be fueled by first-time homebuyers who represent one-third of home sales. The quality of originations in the market remains very strong, including overall loan quality, originator production quality and servicer default risk management. As we have said previously, we believe our data and analytics-driven process to evaluate the quality and risk of each lender and servicer we partner with, when combined with our loan level assessment of risk, enables us to build the economic value of our portfolio with greater certainty. And we believe our approach provides unique insights to our customers as well as greater certainty to our counterparties in the capital markets and reinsurance markets.

Given the market environment, our customer footprint and our projections based on industry forecasts which include a slight decline in overall mortgage origination market in 2020 but a modest increase in purchase originations, we expect to write new MI business in 2020 of approximately \$60 billion. Turning to the regulatory

Q4 2019 Earnings Call



and legislative landscape, housing finance reform continues to advance administratively, as the FHFA has taken steps to prepare the GSEs for an eventual release from Conservatorship sometime in the future. To this end, the FHFA recently announced the engagement of a financial advisor to support the development of a roadmap for ending GSE Conservatorships. Additionally, we expect the FHFA to release a new proposed capital rule for the GSEs sometime early this year, as was the case with the initial proposed capital rule, we expect the new rule to generate significant comment and debate and we look forward to participating in this important discussion.

Also on the horizon, we're expecting the CFPB to produce its proposed replacement for the QM Patch, which effectively grants QM Status to loans eligible for purchase by the GSEs regardless of the borrower's debt to income or DTI ratio. Based on the recent reports, the CFPB may be leaning towards a QM approach that would remove DTI in favor of a pricing-based test. Regardless of the final solution, we continue to believe that the CFPB is focused on preserving credit access for worthy borrowers and that the transition away from the QM Patch will be orderly and not overly disruptive to the housing market. Regardless of the CFPB's approach to QM, we will continue to apply a strong risk management discipline to the loans, we are willing to ensure.

Finally, we continue to be encouraged by the receptivity of Members of Congress, the administration, the FHFA, and other regulatory agencies regarding the important role that our industry plays as a private investor in managing and distributing mortgage credit risk. As FHFA Director, Calabria, has stated on more than one occasion, the MI industry is an example where private capital is working well within the housing finance system.

Now, I'd like to turn the call over to Frank for details of our financial position.

#### J. Franklin Hall

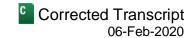
Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Thank you, Rick, and good morning, everyone. To recap our financial results issued yesterday evening, we reported GAAP net income of \$161.2 million or \$0.79 per diluted share for the fourth quarter of 2019 as compared to \$0.83 per diluted share in the third quarter of 2019 and \$0.64 per diluted share in the fourth quarter of 2018. As previously announced, the fourth quarter of 2019 includes a pre-tax impairment charge of \$18.5 million for goodwill and other acquired intangible assets related to the sale of Clayton Services. Adjusted diluted net operating income was \$0.86 per share in the fourth quarter of 2019, an increase of 6% from the third quarter of 2019 and an increase of 23% over the same quarter last year.

I will now focus on some of the drivers of our results for the quarter. I will start with the key drivers of our revenue. As Rick mentioned earlier, our New Insurance Written was \$20 billion during the quarter compared to \$22 billion last quarter and \$12.7 billion in the fourth quarter of 2018. For the full-year 2019, we wrote \$71.3 billion of New Insurance Written, a 26% increase over full-year 2018. Direct monthly and other recurring premium policies were 82% of our New Insurance Written this quarter, a decrease from 85% for the third quarter of 2019 and 83% for the fourth quarter a year ago. In total, borrower-paid policies were 97% of our new business for the fourth quarter. Borrower-paid Single Premium Policies were 16% of our total New Insurance Written this quarter, a significant increase from two years ago when they accounted for less than 4% of total New Insurance Written.

In contrast, lender-paid Singles were less than 2% of our New Insurance Written this quarter, a dramatic decline from 20% of total production two years ago. This shift in business mix is expected intentional and designed to improve the expected return profile of our Single Premium business overall, as borrower-paid Singles have higher expected returns relative to lender-paid policies due in part to automatic cancellation under the Homeowners Protection Act, creating a shorter expected life and lower required capital under PMIERs.

Q4 2019 Earnings Call



Primary insurance in force increased to approximately \$241 billion at the end of the quarter with year-over-year insurance in force growth of 9%. It is important to note that monthly premium insurance in force increased 12% year-over-year and has grown by approximately \$35 billion over the past two years. Our 12-month persistency rate of 78.2% decreased from 81.5% in the prior quarter and 83.1% in the fourth quarter of 2018. Our quarterly annualized persistency rate declined slightly to 75.0% this quarter from 75.5% in the third quarter of 2019 and 85.5% in the fourth quarter of 2018. The decline in quarterly annualized persistency, compared to the fourth quarter of 2018, is primarily driven by increased refinance activity observed in the quarter, while our long-term expectations for persistency remain in the low-to-mid 80% range. We have said previously that near-term persistency may fall below this level as was the case in this reporting period. It is worth noting that despite relatively low persistency rates, Radian's insurance in force grew by over \$3 billion in the fourth quarter.

Moving now to our portfolio premium yield. During the fourth quarter of 2019, earned premiums were positively impacted by a \$17.4 million cumulative recognition of deferred initial premiums on Monthly Premium Policies. Slide 10 shows the premium yield trend over the past five quarters, excluding this impact, since we don't expect it to recur in the ordinary course. This item represents an update in our accounting for the ultimate collectability of the initial premium receivable on monthly borrower-paid policies which we typically do not collect at the inception of the mortgage loan. The materiality of this estimate has increased as our portfolio of borrower-paid monthly policies has continued to expand.

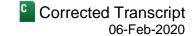
Two other lines worth noting on slide 10 are direct in force premium yield and Single Premium Policy cancellations. Our direct in force premium yield was 47.1 basis points this quarter compared to 47.4 basis points last quarter and 49.0 basis points in the fourth quarter of 2018. Our level of Single Premium Policy cancellations increased to 4.4 basis points of yield in the fourth quarter compared to 1.7 basis points in the same quarter a year ago. As we have noted previously, the level of Single Premium Policy cancellations may fluctuate, given certain macroeconomic factors, primarily interest rates and their impact on refinance activity, and can create volatility in our reported premium yields.

Turning to longer-term in force portfolio yield expectations. For the past several years, we have expected the in force portfolio yield to decline gradually and over the past year it has in fact declined largely because of two key drivers: The first driver is the natural turnover of the portfolio. Older vintages that have relatively higher risk profiles written at higher premium rates are running off and are being replaced by new vintages which carry lower premium rates. These lower premium rates are due in part the industry price changes following tax reform in 2018, as well as lower price business associated with the lower relative risk profile and capital requirements of our recent production. This lower risk profile is the second driver of our expected portfolio yield decline.

Our recent production has a higher weighted average FICO, lower expected losses, and reduced capital requirements relative to the past several years. In terms of future New Insurance Written, our mix of business will continue to be guided by where we see value across the risk spectrum and the credit mix may vary quarter-to-quarter. This may result in periodic variability in the profile of our New Insurance Written, including weighted average FICO, LTV, and other risk metrics that impact average premium yields.

What's also noteworthy is the recent trend of lower persistency and record levels of New Insurance Written which have further contributed to a higher turnover rate of our Mortgage Insurance portfolio contributing to our expectations of a lower overall portfolio yield. The timing and magnitude of future portfolio yield changes will continue to depend on several factors, including the volume and mix of new business relative to the volume and mix of cancellations and prepayments of the older vintages in our portfolio. What is most important to remember about our pricing, however, is that we continue to remain focused on maximizing economic value and generating attractive risk-adjusted returns in the mid-teens. These projected returns do not include the impact of insurance-

Q4 2019 Earnings Call



linked notes because that coverage is put in place after the policies are originated but do incorporate the impact of our Single Premium Quota Share Reinsurance program which is in place at the time of origination.

Net Mortgage Insurance premiums earned were \$301.5 million in the fourth quarter of 2019 compared to \$281.2 million in the third quarter of 2019 and \$261.7 million in the fourth quarter of 2018. The increase of 7% on a linked quarter basis is primarily attributable to the \$17.4 million impact from the recognition of deferred initial premiums on Monthly Premium Policies mentioned earlier. Setting aside this impact, our net premiums earned still grew 1% quarter-over-quarter and 9% year-over-year. This 9% increase from the fourth quarter of 2018 was primarily attributable to the growth in our insurance in force as well as the increase in Single Premium Policy cancellations.

Total Services segment revenue was \$44.0 million for the fourth quarter of 2019, representing a decrease compared to \$47.4 million for the third quarter of 2019 and an increase compared to \$41.5 million from the fourth quarter of 2018. Our reported Services-adjusted EBITDA for the fourth quarter of 2019 was \$2.2 million. Our full-year Services segment revenue was \$170.4 million in 2019 compared to \$157.1 million in 2018. The total revenue contribution of Clayton Services, which we sold in January 2020, was approximately \$50 million during 2019 and, as previously communicated, we do not expect this sale to have a material impact to our future financial results on a net basis. Given this recent sale, we will review our segment reporting framework to ensure that it continues to align to our internal management of these businesses to the extent there are any changes to the composition of business lines within our reportable segments. We expect to have these changes reflected in our first quarter 2020 results and we will update any related financial guidance accordingly at that time.

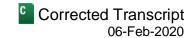
Our investment income this quarter of \$41 million was down slightly from the prior quarter and same quarter prior year. The decrease was primarily attributable to lower investment yields which were partially offset by higher balances in our investment portfolio. At quarter-end, the investment portfolio duration was approximately four years, consistent with the prior quarter. It is noteworthy that our \$5.7 billion investment portfolio has grown approximately 10% or just over \$500 million since the fourth quarter of 2018, a sizable increase, given that we have paid off debt and repurchased shares during the period.

Moving now to our loss provision and credit quality. As noted on slide 13, the provision for losses for the fourth quarter of 2019 includes positive development on prior period defaults of \$8.2 million. This positive development was driven by a reduction in certain default to claim rate assumptions on aged defaults. Our primary default rate is now at 2%, up slightly from last quarter which is consistent with seasonal patterns and down slightly from 2.1% a year ago and still remain among the lowest levels in the past 20 years. The total number of new defaults in the fourth quarter of 2019 increased by 3% compared to the third quarter of 2019, consistent with typical seasonal patterns.

Further, consistent with typical default seasoning patterns, the shift in our portfolio composition toward more recent vintages has resulted in slightly increased levels of new defaults in our portfolio for 2019 as compared to 2018, as the increase in new defaults or recent vintages outpaced the reduction in pre-2009 new defaults. As economic indicators have continued their positive trends, cumulative loss ratios on our post-2008 business continued to track to historically low levels. As these positive economic and performance metrics have continued, the default to claim assumption on new defaults remained at 7.5% during the fourth quarter of 2019, consistent with the third quarter of 2019.

Now turning to expenses, other operating expenses were \$80.9 million in the fourth quarter of 2019 compared to \$76.4 million in the third quarter of 2019 and \$77.3 million in the fourth quarter of 2018. The increase in operating expenses, compared to the fourth quarter of 2018, was primarily driven by an increase in the accrual for incentive compensation based on full-year 2019 performance.

Q4 2019 Earnings Call



Our consolidated quarterly run rate base operating expenses were previously estimated at approximately \$72 million before the sale of Clayton Services. Our new base run rate will likely be closer to \$70 million, a modest adjustment from our pre-sale levels as most of the expenses in the sold businesses were reflected in direct cost of Services and not in the other operating expenses line item. We will continue to know any material variances from these expected levels that may occur in the execution of our strategic priorities throughout the year.

Now moving to taxes, our overall effective tax rate for the fourth quarter of 2019 was 21.6%. Our expectation for our 2020 annualized effective tax rate before discrete items is approximately the statutory rate of 21%.

Now moving to capital, Radian Guaranty had PMIERs Available Assets of \$3.6 billion and our Minimum Required Assets were \$2.8 billion as of the end of the fourth quarter 2019. The excess Available Assets over the Minimum Required Assets of \$822 million represents a 29% PMIERs cushion. We have also noted on slide 18, our PMIERs excess available resources on a consolidated basis of \$1.7 billion which is fully utilized, represents 60% of our Minimum Required Assets as of December 31, 2019. We expect our PMIERs cushion to be sufficient to support projected organic growth as well as potential volatility, such as a cyclical economic downturn, before giving any consideration for the substantial additional benefit of future premium revenue.

As Rick mentioned, in February, we closed on our third insurance-linked note transaction of approximately \$488 million. This brings the total insurance-linked note issuance by Eagle Re to approximately \$1.5 billion and covers originations from January 2017 to September 2019 for our monthly premium business.

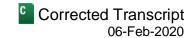
Additionally, in January 2020, Radian Guaranty agreed to terms for an additional quota share reinsurance arrangement for single-premium Mortgage Insurance business with a panel of eight third-party reinsurance providers in order to seed new single-premium Mortgage Insurance business. The terms of the new Single Premium QSR include a 65% session of business written in 2020 and 2021. Other terms of the new arrangement are also substantially the same as our existing 2018 Single Premium QSR arrangement. The PMIERs credit for both the ILN and QSR Program remains subject to GSE approval, but are expected to be similar to our previous experience.

In total, as of the fourth quarter 2019, we have reduced Radian Guaranty's PMIERs capital requirements by \$1.3 billion by distributing risk through both the capital markets and third-party reinsurance execution, as noted on press release Exhibit L. We expect that this prudent risk distribution strategy and our disciplined capital management will continue to enhance our risk profile and improve our financial flexibility. In connection with the company's plan to streamline operations and reposition capital by eliminating the intercompany reinsurance agreement between Radian Guaranty and Radian Reinsurance, the Pennsylvania Insurance Department approved the following actions during the first quarter of 2020:

The termination of the intercompany reinsurance agreement, resulting in the transfer of approximately \$6 billion of risk in force from Radian Reinsurance to Radian Guaranty; a \$465 million return of capital from Radian Reinsurance to Radian Group, which was paid on January 31, 2020, from Radian Reinsurance's gross paid in and contributed surplus; and the transfer of \$200 million of cash and marketable securities from Radian Group to Radian Guaranty in exchange for a surplus note. The surplus note may be redeemed at any time upon 30 days prior notice, subject to the approval of the Pennsylvania Insurance Department.

After consideration of the ILN transaction and the net impact of the intercompany capital actions described previously, Radian Guaranty's excess of Available Assets over its Minimum Required Assets under PMIERs would have increased from 29% to 32% or by approximately \$115 million. As of December 31, 2019, Radian

Q4 2019 Earnings Call



Group maintains \$653 million of available liquidity. Total liquidity, which includes the company's \$267.5 million unsecured revolving credit facility, was \$920 million as of December 31, 2019.

During the fourth quarter of 2019, Radian repurchased approximately 1.1 million shares or approximately \$25 million of Radian Group common stock, including commissions, under the August 2019 share repurchase program. For the full-year 2019, the company repurchased 13.5 million shares of Radian Group common stock at a total cost of approximately \$300 million, including commissions. In addition, in January 2020, the company purchased an additional 381,000 shares or approximately \$9.4 million of Radian Group common stock, including commissions.

As of January 31, 2020, purchase authority of up to approximately \$141 million remained available under this program. After consideration of the shares repurchased after quarter-end and the net impact of the intercompany capital actions described previously, Radian Group's available liquidity would have increased by approximately \$256 million relative to the amount as of December 31, 2019. The company remains focused on optimizing its capital position, enhancing its return on capital and increasing its financial flexibility.

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 question, let me remind you that net income for 2019 was \$672 million or \$3.20 per share. Adjusted pre-tax operating income for the year was \$855 million and adjusted diluted net operating income per share was \$3.21. Book value per share increased 23% year-over-year to \$20.13. Return on equity was 18%. Our \$241 billion Mortgage Insurance portfolio grew 9% year-over-year. And it is a primary driver of future earnings for Radian. Our Services segment revenues grew 9% from a year ago to \$170 million and we made progress against our capital strategy in 2019, returning \$375 million in capital to Radian Group, repurchasing 13.5 million shares, reducing our total debt outstanding and improving our debt maturity profile.

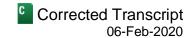
As you've heard me saying many times, this is a great time to be in the Mortgage Insurance business. The business fundamentals are very strong. Our Mortgage Insurance industry is governed by clear, consistent and transparent risk-based capital requirements, and both the credit quality of our existing book of business as well as the credit environment, we operate in today, are excellent.

Now, operator, we would like to take questions.

### QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] And your first question comes from Jack Micenko with SIG. Please go ahead. Jack Micenko Analyst, Susquehanna International Group, LLP Hi. Good morning. I wanted to kind of walk through the Services math a little bit. So you grew that business I guess about 8% top line year-over-year which is good and then the \$175 million so we just, I guess take that \$50 million out of the run rate I'm assuming and then that 10% to 15% adjusted margin that you've targeted should we assume that that improves in 2020? How should we think about modeling that forward? J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Sure, Jack. This is Frank. Yeah. What I laid out in the prepared remarks was really just the recap of 2019, right. So, we did give previous guidance that was reflective of the Services segment as it existed during 2019 which was about \$175 million to \$200 million run rate annualized expenses. The \$50 million represented what the 2019 revenue was. We will provide further clarity after we go through our evaluation of the businesses that will align to the segments as they'll be presented during 2020. So - but just trying to give you some approximation of what this sold business is represented from a revenue standpoint in a historical context. Jack Micenko Analyst, Susquehanna International Group, LLP Okay. But it sounds like someone will talk more about on the next quarter call? J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. That's correct. Jack Micenko Analyst, Susquehanna International Group, LLP Okay. And then, looking at the – I couldn't help to notice on the ILN that you just completed the – the spread execution seemed much, much better than the 2019, I know there's a couple different buckets but is that in your mind a function of greater market acceptance for the asset class or was there a material difference in your [ph] attach/detach (00:34:45) or anything else structurally that really drove some of that improvement? J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Sure. This is Frank. So there were certainly – I would say, there certainly continues to be greater market acceptance for the product and greater investor demand there. There were some credit attributes that did have continued to evolve, the weighted average FICO, for instance, has improved on that. There were some structural differences there, but I would just say it's reflective both of just higher credit quality of what was being covered and also just a very strong investor demand for the product itself.

Q4 2019 Earnings Call



#### Jack Micenko

Analyst, Susquehanna International Group, LLP

Okay. If I could just stick one more on operating expenses, I think you've taken a couple million out from Clayton that weren't reflected in the Services. How should we think about growth in 2020 over 2019? I know you have some investments and that sort of thing is still going on.

#### J. Franklin Hall

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

Sure. So what I described in the prepared remarks was a sort of a base level of operating expenses on a goforward basis. And I think, as you know, having followed us for a while, there are occasional adjustments to that as there were this quarter related to compensation accruals, things of that nature. But, we would expect to see that same base rates adjusted by about \$2 million which were attributable to the sold businesses. So moving from \$72 million per quarter down to \$70 million would be our expectation. And again to the extent there are any material deviations from that expected level, we'll be sure to call those out.

#### Jack Micenko

Analyst, Susquehanna International Group, LLP

All right. Thanks for taking my questions.

**Operator**: Thank you very much. [Operator Instructions] And your next question comes from Mark DeVries with Barclays. Please go ahead.

#### Mark C. DeVries

Analyst, Barclays Capital, Inc.

Yeah, thanks. You obviously generated a lot of incremental liquidity for the holding company this quarter, but you didn't use a lot of buybacks relatively [ph] late (00:36:51). Could you just talk about updated thoughts around the deployment of that cash, the holding company around capital and also how M&A may fit with your plans going forward? Thanks.

#### J. Franklin Hall

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

Sure. Mark, this is Frank. As it relates to the holding company liquidity, I think if you look at our track record really since just December of 2018, I would describe our actions as positioning the capital for optional – excuse me, for optimal optionality and so we have contributed about \$1 billion from our subsidiaries into group since 2018. This past year, we repurchased about \$300 million worth of our shares, yet \$141 million of that authorization remaining.

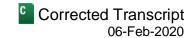
So I think as we think about holding company liquidity, our PMIERs cushion and our statutory surplus, which are three guardrails around our capital planning that I discussed at Investor Day, our binding constraint right now is really the statutory surplus number. So our holding company liquidity number is I think well-positioned to provide us that range of optionality that we spoke about and as is our practice to the extent there are updates as it relates to capital actions, we'll inform the public as those occur. But again, right now we still have \$141 million authorization outstanding in our current \$200 million share repurchase authorization.

#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

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Q4 2019 Earnings Call



And, Mark, this is Rick. Thank you for the question. I think, as Frank said, we have a pretty strong track record of - over the last couple of years, of really managing our capital in a very thoughtful way thinking about shareholder value. And I think when you think about the debt restructure that we did, think about the risk distribution across three ILNs or QSR, really evolving our model from a buy-and-hold model to a aggregate, manage and distribute model, changing the profile of this company materially looking at value-based buybacks where, as Frank mentioned, we bought 300 million shares - \$300 million worth of shares back last year in this Radian Reinsurance restructure where we moved capital around to reposition and re - and optimize the use of our capital across our insurance subsidiaries and Holdco I think really put us in a strong position that's all consistent with the capital plan we've been working through as a team over the past year or two.

It's not a perfect [ph] science (00:39:28) we always require flexibility, I think Frank said it at our Investor Day, it's always about capital planning versus a capital plan and - but 100% laser focused on how we enhance shareholder value, and I think when you really look at where our capital situation sits after the Radian Reinsurance kind of transaction that we did, we are in a very, very strong capital position, both in terms of the strong PMIERs position at Radian Guaranty surplus but also Holdco liquidity. So, I think we have significant strategic financial flexibility and you will see us continue to execute as we see in the best interest of shareholders.

Mark C. DeVries

Analyst, Barclays Capital, Inc.

Okay. But is M&A even on the radar here as you think about deploying some of that optionality you build?

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

So I think when you think about capital or uses of capital, you think about return to shareholders, you think about M&A, you think about even things like just what we think of in terms of somewhat like a war chest, If you will, for opportunities. I think the good news about where we sit today as we - yeah, we have the luxury and the optionality to think about all opportunities from a M&A perspective, I get a whole office full of opportunities, none of which - if you look back 2018, none of which that we pursue and - or I'm sorry, 2019 so we always see opportunities, I think we are very disciplined about looking for value as opposed to just doing the M&A and I think it's safe to say, we haven't really seen things that create value. But like any good stewards of capital, we're always looking for ways to optimize our use of capital for our shareholders and think about things both from a - from a strategic point of view but it's not – it's not something that we feel like we have to do to achieve our strategy, so.

Mark C. DeVries

Analyst, Barclays Capital, Inc.

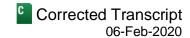
Okay. It's helpful. And then, I was just hoping to get a strategic update on how you're thinking about the Services business going forward, what it was about Clayton that didn't seem to fit anymore and kind of how you're looking to grow that?

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah. No thanks. I think, look, when I got here in 2017, we took a hard look at what we were doing there, didn't really feel like we were optimizing or executing on a way that could be successful. I think we started that strategic repositioning and Clayton - that sale of Clayton Services and by the way our team there has done phenomenal work. I know they'll continue to do phenomenal work for the [ph] Kobe's (00:42:02) team. But as I – as you might recall at our Investor Day, I mentioned really our focus on data and analytics and technology, where we believe we can create businesses that disrupt existing business models, leveraging data and analytics and technology,

Q4 2019 Earnings Call

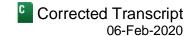


and really driving digital models and we – and I mentioned that the high-growth opportunities we see for our business really fall into the real estate space, including title.

So, as we continue to work through how best to drive value on those businesses and we have a very clear strategy, we believe the assets that remain from a company name Green River Capital, Red Bell, Five Bridges, Radian Settlement Services, and Radian Title Insurance, but more importantly the four products, title, valuation, asset management and [indiscernible] (00:42:56) Services into those businesses are really the high-value, high-growth opportunities that we're focused on building. I think they're somewhat startup like because they are small in scale, especially relative to our MI business, but we're extremely excited about the assets we own, the team we have on the field. Our customers are receiving our ONE Radian message and, as I mentioned at Investor Day and it's still true today, we see today value in the data and the customer relationships that we're developing deepening and, in the future, we see earnings and intrinsic value building. So, these are – we're very excited to be able to focus on executing our strategy and see – we continue to see great opportunities and our customers are confirming that.

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| Mark C. DeVries  Analyst, Barclays Capital, Inc.                                                                                                                                                                                    | Q                                      |
| Okay. Got it. Thank you.                                                                                                                                                                                                            |                                        |
| Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc.                                                                                                                                                         | A                                      |
| Thank you.                                                                                                                                                                                                                          |                                        |
| <b>Operator:</b> Thank you. And our next question in queue that will come ahead.                                                                                                                                                    | e from Bose George with KBW. Please go |
| Bose George Analyst, Keefe, Bruyette & Woods, Inc.                                                                                                                                                                                  | Q                                      |
| Hey. Good morning. I just                                                                                                                                                                                                           |                                        |
| Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc.                                                                                                                                                         | A                                      |
| Good morning.                                                                                                                                                                                                                       |                                        |
| Bose George Analyst, Keefe, Bruyette & Woods, Inc.                                                                                                                                                                                  | Q                                      |
| had a question on Clayton. I mean, you guys noted it doesn't have sale price, does that contribute to more liquidity at the holding compa                                                                                           |                                        |
| J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.                                                                                                                                       | A                                      |
| Bose, this is Frank. Thank you for the question. It does. Ultimately, the you sort of what the net effect was on the intangibles and that intangible beginning of the process there, but yes, ultimately, the cash proceeds number. | ble adjustment happens sort of at the  |
|                                                                                                                                                                                                                                     |                                        |

Q4 2019 Earnings Call



#### **Bose George**

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Great. Thanks. And then, you noted in response to an earlier question that by the binding constraint being statutory surplus but just to clear the – I mean, the liquidity at the holding company is kind of fully available for capital return, right?

#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

That's correct. Yeah. And I think just to kind of pick up on Frank's comment, we feel like today within Radian Guaranty, this surplus number, PMIERs capital, I mean we feel like we have really strengthened and, use the word, built the moat around kind of Radian Guaranty from a capital structure. At the same time, we've freed capital up to Holdco. So, I think our strategy has been really through risk distribution and capital strength, protect the insurance company through the cycle, if you will, and build Holdco liquidity and capital from a strategic financial flexibility. So, I think we have made significant progress to accomplish both those goals.

#### J. Franklin Hall

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

And Bose, this is Frank, I would just add one more clarifier there, even though the Holdco cash is unrestricted technically, as we described in our Investor Day, we do have risk buffers and tolerances around what that holding company liquidity number would be managed to internal.

#### **Bose George**

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. That makes sense. Okay, internal, internal.

#### J. Franklin Hall

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

That's right.

#### **Bose George**

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Absolutely. Actually, just one small accounting question. The dilutive effect of stock-based comp, that number was smaller this quarter than usual. Just what was driving that?

#### J. Franklin Hall

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

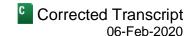
I'm sorry.

#### **Bose George**

Analyst, Keefe, Bruyette & Woods, Inc.

It's usually – the dilutive impact of stock-based comp, that's usually like 5 million shares or so and it was – it looks like it was like [ph] 1.5 million (00:46:18) this guarter.

Q4 2019 Earnings Call



#### J. Franklin Hall

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

Hold on just a moment. Let me get that. I think that's – yeah, that is correct. And that should be only run rate.

| Bose George  Analyst, Keefe, Bruyette & Woods, Inc.                                           | Q                                       |
|-----------------------------------------------------------------------------------------------|-----------------------------------------|
| Okay. That's a run rate going forward.                                                        |                                         |
| J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. | A                                       |
| Yeah.                                                                                         |                                         |
| Bose George  Analyst, Keefe, Bruyette & Woods, Inc.                                           | Q                                       |
| Okay. Great. Thanks.                                                                          |                                         |
| <b>Operator:</b> Thank you. Our next question in queue that will come from Dougo ahead.       | iglas Harter with Credit Suisse. Please |
| Douglas Harter  Analyst. Credit Suisse Securities (USA) LLC                                   | Q                                       |

Thanks. Can you just talk about how you would think about the proposed changes on the QM Patch and whether kind of moving away from kind of [indiscernible] (00:46:48) DTI? What impact that might have on credit quality or underwriting quality of loans, broadly speaking in the market?

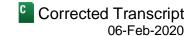
#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah. Thank you, Doug. It's – this is Rick. So, I think as we went through some of our prepared remarks, there are things that are happening kind of around the GSEs and CFPB and FHFA and the QM Patch, particularly. I think the CFPB has kind of hinted and stated that they're leaning towards a non-DTI kind of metric, more of a pricing-related metric. And we as an industry, we as a company, as we've looked at all the different iterations of proposals, including USMI's proposal to kind of maintain a DTI component, plus compensating a risk kind of underwriting factors, if you will, I think the way we look at it is that the CFPB and FHFA as well are not really looking to disrupt the housing market for qualified borrowers and I think as the proposal comes out and the comment period occurs and they'll extend the QM Patch for some part of next year. Beyond that we don't really – we don't expect there to be much of an impact in terms of the kind of from a market or from a qualified borrower perspective, so we're I think probably more the certainty of just knowing what the rule is so people can prepare and work towards it.

So from a risk point of view, the second part of your question is I think, ultimately, we are in a great position, given what Derek and the team has done from a risk-based pricing and how our – to really make sure that we are only insuring the risk that we are comfortable with and working with customers that produce quality and service, default management quality-wise. So, I really think that the change really more just let it occur, we don't expect a great deal of impact, we feel we are in a great position to manage the risk that we ensure and, given the quality that's in

Q4 2019 Earnings Call



the market, it's not top of our list of things we are concerned about there. We are watching it very carefully and very active in the discussion, but it's not I think we feel like it's going to be minimal impact, if any.

**Douglas Harter** 

Analyst, Credit Suisse Securities (USA) LLC

Great. Thank you.

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you.

**Operator**: Thanks. And our next question in queue that will come from Mihir Bhatia with Bank of America. Please go ahead.

Mihir Bhatia

Analyst, Bank of America Merrill Lynch

Hi. Thank you for taking my questions. First, I just wanted to start with Clayton. Just going back to that for a second, I understand the \$50 million revenue impact, but – I may have missed it, but did you give a – it sounds like there is not much earnings impact so is there a change to your EBITDA margin targets, I think you talked about 10%, 15% previously or how does that affect it?

#### J. Franklin Hall

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

Sure. This is Frank. Thanks for the question. I think the way to think about what we said is that we don't expect there to be a net earnings impact – or material net earnings impact as a result of the sale. So as we reconstitute and reevaluate the businesses that are in the Services segment on a go-forward basis, we'll be sure to provide updated guidance around the businesses that will remain in the Services segment and margin expectations around that. But you are correct in the \$50 million worth of revenue, \$2 million worth of other operating expenses and the remainder of that being cost of Services for the most part.

#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

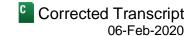
Yeah. And I would just add to Frank's comment. As you know this past year, the Services segment contributed profitably on an EBITDA basis for the year and we would expect going forward these businesses to continue to contribute profitably from an EBITDA basis. So, we feel very strongly about the assets we have and the way we're positioned in the market and the growth opportunity. And as Frank said, as we kind of work post sale of Clayton Services, we'll give more information on guidance after – in the first quarter.

Mihir Bhatia

Analyst, Bank of America Merrill Lynch

Great. Thanks. And then just switching a little bit, maybe to the – on the MI side, can you talk about – just what you are seeing in terms of just [ph] competitive intensity, I understand it's always a competitive (00:51:15) market, but are you seeing any changes, now you've had black box pricing out there, you and your competitors for almost a year now. So, are you guys seeing any changes in terms of just how people are dealing with that, are you seeing more – like just from a tactical point of view, more price changes coming through more often or something

Q4 2019 Earnings Call



people being more selective in what they choose? Just trying to understand pricing trends and just how competition is evolving within the industry?

#### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

This is Derek. So, in terms of competition in the industry, I think, it's been fairly stable. I would say, we haven't seen any recent significant changes. I think, different companies are picking their spots in terms of where they want to play from a credit perspective. I think, we're very happy with the portfolio, we're putting together with the business, we're adding, finding value and kind of finding those spots. So, I would say, we haven't seen any significant changes. Same thing on the credit side, credit continues to be tight, we don't feel lot of kind of credit competition around the edges either so I would say pretty steady.

#### Mihir Bhatia

Analyst, Bank of America Merrill Lynch

Got it. Thank you. And then just one last quick one. The latest ILN, what is the exchangeable note feature was in there? Is there – what is the significance of that, what drove that innovation I guess into that product or into that offering?

#### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

Sure, this is Derek. So that's an offering you see at their product. I think the GSEs offer that as well. It essentially gives an investor an ability that kind of carve-up the tranches into kind of their preferred kind of tranches from a cash flow perspective. So, it just gives the optionality to the investor I think and just kind of broadens the base.

#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

And I think too, Derek, it was based on feedback we got from our investor community right as to things we can do to enhance the structure to us, so we not only look at how we're – what risk we're putting in and how that transacts, but we're also working very closely with the investor community to make sure structures work for them as well.

#### Mihir Bhatia

Analyst, Bank of America Merrill Lynch

Got it. Thank you.

**Operator:** Thank you very much. [Operator Instructions] And next question comes from Chris Gamaitoni with Compass Point. Please go ahead.

#### **Chris Gamaitoni**

Analyst, Compass Point Research & Trading LLC

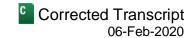
Hi. Good morning, everyone.

#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Good morning.

Q4 2019 Earnings Call



#### J. Franklin Hall

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

Good morning.

Chris Gamaitoni Analyst, Compass Point Research & Trading LLC

I wanted to follow back up on the capital situation. Could you remind me what the limitation is with stat capital? I know you have a negative [ph] unassigned (00:53:42) surplus, so until contingency reserve releases in that rebuilds, you won't get ordinary dividends, but is there something that precludes you from asking for additional specials, if you desire so on the future?

#### J. Franklin Hall

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

Sure, Chris. This is Frank. Thanks for the question. The statutory surplus number is one that we manage to a certain threshold and a certain level that we have communicated with our state regulators. There is not a hardand-fast number, just technically we could get lower than what we're managing to, but just from a prudent standpoint, from a risk management standpoint, from an overall comfort standpoint, we are choosing a level that is right around the \$500 million level.

And so, what we would expect to see over the near-term is there are - I would say, there is modest organic growth that occurs there prior to the release of the contingency reserves, which begin to happen in 2023 and more materially in 2024. And so, as we think about the forward view on statutory capital, we are just – we're being cautious around that particular metric ahead of that contingency reserve release. So, theoretically, you are correct but from an overall comfort and prudent standpoint, we're operating at the level that we've chosen here.

#### Chris Gamaitoni

Analyst, Compass Point Research & Trading LLC

Sure. Maybe [ph] just one tour (00:55:14) I don't know if this is for Frank or Derek, but if we assume that there wasn't a stat or the surplus issue and all capital was equivalent and there was no friction between capital up and down, what's your current thought on the great level of PMIERs excess that you need in the business now that the business is more kind of I don't know what's [indiscernible] (00:55:36), but consistently executing ILNs, what's that level look like, taking into a little account various stress scenarios where they may not be able to be issued, et cetera, I'm just trying to kind of think about where real kind of capital can go above what maybe your comfort level is?

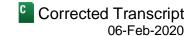
#### J. Franklin Hall

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

Sure. This is Frank. I'll start and Derek can add in. We intentionally don't give a PMIERs target and there are a few reasons for that. One is, as we continue down the path of risk distribution, we expect that number to grow well beyond a level that we would consider to be necessary and that is because of what was previously noted on the statutory surplus.

So, the capital we'll continue to build within Radiant Guaranty as risk distribution continues. And so, as we think about an optimal level, we'll be operating well above an optimal level, but we also take a look at it from the vantage point of what we've, I think, historically referred you as a growth on a net basis. And because we do have the benefit of risk distribution through ILNs, most notably there is a little bit of a disconnect in the PMIERs capital relative to where you get the benefit from the ILN when a loan becomes delinquent. So, you'll start requiring more

Q4 2019 Earnings Call



PMIERs capital during a delinquency period without any benefits from the ILN. So, we are careful to monitor that to make sure that even in those situations, where we do have ILN coverage, we're still well-buffered from a PMIERs standpoint. So, again, wouldn't give you a target on PMIERs, but we would expect to see it grow really beyond what we think is probably necessary. Derek, I don't know...?

Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

Yeah, I would just add with respect to that I mean, when we're looking at the cushion we are doing on a scenario basis, right. So, where we have that cushion is going to be impacted by the portfolio we are putting on or that we are adding as well as risk distribution structures where they attach and also are economic projections. Frank alluded the fact that the other thing we are looking at is I would call the amount of hard capital relative to the credit we get from the risk distribution structures. So, as we become effectively more leveraged by risk distribution structures that might affect how big a hard capital cushion we hold and the other thing we are factoring in and we're looking at in addition to PMIERs capital is our own view of economic capital done to support the book of business as well. So kind of all of those factors when you combine and makes it somewhat difficult to come with a singular I would say number or percentage. So, I think it can shift through time.

**Chris Gamaitoni** 

Analyst, Compass Point Research & Trading LLC

Okay. And then, one more for Rick, just you said you had it office full of things that you look at, don't give any detail but are you looking at primarily businesses that we might consider more Services like or are there opportunities for – they are more capital intensive on an ongoing basis?

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah, and by the way, the office full of pictures are just that we get round robins of investment bankers and here with host of ideas, right. So, I think we certainly open to listening again thinking of value creation for shareholders and they do come on both sides of the fence where there are businesses that are more capital like businesses and then there are Services businesses. And I think again we – two things, one, we're quick to kill if we don't feel that there is a – we don't see value or strategic fit. And secondly, we have a pretty high bar from a discipline point of view of what we have to believe and I learned that from many years working with my private equity friends, just a simple concept what you got to believe and how do you test that.

So I think we – probably like many others, we see lots of ideas, lots of pitches and we're pretty disciplined about filtering through and pretty quick.

**Chris Gamaitoni** 

Analyst, Compass Point Research & Trading LLC

Okay. Thank you so much.

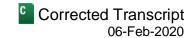
Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you.

**Operator**: Thank you. At this time, I will turn the conference back over to Rick Thornberry for closing comments.

Q4 2019 Earnings Call



#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you. And before we conclude our call, I want to pass out a very special thank you to my friend Emily. Emily, for her many years of excellent leadership as Head of our Investor Relations team, along with Corporate Communications, no one represents Radian to the outside world better than Emily. And I'm happy to let you know that Emily is now our Chief Marketing and Communications Officer for Radian. She's going to continue to work for me which is either a good thing or a bad thing, well, I'll let her decide that. But she'll be responsible for spreading the ONE Radian brand to customers, business partners, employees and of course continuing to spread that to our investors.

So, she'll be working alongside myself and Brien, and Derek, and Eric and others, the rest of the team to really grow this business, and so I'm really excited about that. And she's not going away, her focus is just evolving. So, I want to thank her for an excellent job over the many years, and many of you all have developed very good relationship with her and she's not going away. So, we appreciate that. She's going to transition the Investor Relations function to John Damian, who will be our Senior Vice President of Investor Relations and Corporate Development, and you all be meeting John soon. But I just want to take a moment to thank Emily and make sure that you all also have a chance to talk to her and congratulate her on this new role. We're excited for her. Thank you, Emily.

#### **Emily Riley**

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

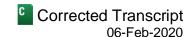
Thank you, Rick.

#### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

So, beyond that, thank you all for your interest in Radian. We truly appreciate it. We're happy to talk to you anytime and – but do truly sincerely appreciate your interest in Radian and look forward to seeing each of you soon. Take care.

**Operator:** Thank you very much. And ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Conferencing Service. You may now disconnect.



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