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Radian Group Inc. (RDN)

Q1 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. And welcome to Radian's first quarter 2018 earnings conference call. At this time, all participants are in listen-only mode. Later we will conduct a question-and-answer session, and instructions will be given at that time. [Operator Instructions] And as a reminder, today's conference is being recorded.

And I would now like to turn the conference over to Emily Riley, Senior Vice President of Investor Relations. Please go ahead.

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

Thank you, and welcome to Radian's first quarter 2018 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. The 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, tangible book value per share, services adjusted EBITDA and a new measure this quarter – adjusted net operating return on equity. A complete description of these measures and their reconciliation to GAAP may be found in Press Release Exhibit F and G, and on the Investors section of our website.

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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 2017 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. I'd like to thank each of you for joining us today, and for your interest in Radian.

As we reported this morning, we achieved excellent financial results for the first quarter, with a 15% ROE and an adjusted net operating ROE of 17%. We continue to grow our insurance in force portfolio with an increase of 10% year-over-year, which is the primary driver of our future earnings. These results reflect the success of our business strategy, the strength of our customer relationships, our financial strength and flexibility, the value of our high-quality $204 billion insurance portfolio, and the performance of our outstanding team. I'm pleased to say that we are well-positioned for 2018 and beyond.

This morning, I'd like to provide you with an update related to the industry landscape, which I know is top of mind for many of you, as well as on the strategic shift we are making positions us well for the future. After my remarks, I will turn it over to Frank to cover the financial results.

As I have gotten to know many of you over the past year, I have come to better understand your support and interest in Radian, given the fundamental strength of our business and its enterprise value, as well as your concerns, particularly regarding our MI business and industry. These concerns have been fueled by recent competitive news, and I'd like to take some extra time this morning to put these concerns in context and I attempt to provide you with a balanced view of the strategic and financial implications of the changes occurring in the market.

From what I've heard from investors, there are three important concerns that have been top of mind. Future capital requirements under PMIERs 2.0, potential encroachment by the GSEs like the IMAGIN pilot program, and mortgage insurance price competition. I will address each of these separately.

First, let me discuss the future capital requirements under PMIERs 2.0. Almost three years ago, PMIERs established a strong, consistent, and transparent capital framework for our industry, which serves as a foundation for more granular risk-based pricing across the industry. As a result of the increased capital requirements under PMIERs, the MIs are significantly stronger counterparties as all MIs are required to maintain adequate liquidity and claims pay and resources to withstand a significant stress scenario. We have successfully operated under and complied with the current PMIERs, and are actively reviewing and working with the GSEs, and FHA on the proposed changes related to PMIERs 2.0.

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Based on what we know of the proposed changes today, we expect to be able to fully comply and maintain an excess of available assets over minimum required assets, as of the expected effective date in late 2018. We've been anticipating this update to PMIERs and have therefore been using proposed changes to inform our pricing decisions and capital planning. We believe we are well-positioned to incorporate the expected changes to PMIERs 2.0 and to our business line.

Second, I would like to address the concern related to potential encroachment by the GSEs. Last month, Freddie Mac announced a new pilot program called Integrated Mortgage Insurance or IMAGIN. This program is being marketed by Freddie Mac as an alternative way for lenders to deliver loans to Freddie Mac with greater than 80% LTV. The program transfers 100% of the mortgage insurance risk through non-PMIERs intermediary called Arch MRT to a panel of reinsurers. Since the IMAGIN was announced, there's been speculation that Fannie Mae will follow with a similar program, which has further fueled investor concern for how programs of this kind could impact our MI business going forward.

It is important to remember that this program is currently in pilot that is focused on the lender-paid mortgage insurance or LPMI market, which is both a limited portion of our business today and a product that we have materially reduced over the past several years. At Radian, we are not participating in these programs, as we question the long-term viability and depth of the market to support this particular structure, which is dependent upon a panel of reinsurers who have not been tested in a first-loss position through a mortgage credit cycle and can easily exit the market at any time, for any good reason.

Given the strong PMIERs framework that the GSEs, FHFA and the MI industry have worked together to implement over the past few years, it seems counterintuitive that an alternative mortgage insurance program for first-loss risk on high LTV loans would be designed to leverage non-PMIERs entities with less transparent counterparty capital framework. We believe it is also important to put in perspective that the current pricing difference between IMAGIN and LPMI is almost entirely driven by the higher capital requirements that MI companies are held to under PMIERs, and the GSEs current life of loan coverage requirement for LPMI, versus a 10-year term under IMAGIN. We have highlighted this product difference to the GSEs and FHFA in an effort to align the products and a level of playing field between IMAGIN and LPMI.

There should be no doubt that we expect competition and the IMAGIN Arch MRT program is simply another form of competition. We fully support the need for innovation in this industry, but we do not believe the IMAGIN Arch MRT structure is scalable, sustainable path forward.

We believe the mortgage industry with strong PMIERs capital framework in place, and a uniform master policy provides the GSEs and mortgage lenders with a group of strong and reliable through the cycle counterparties to transfer the first-loss credit risk associated with high LTV lending. Mortgage insurance companies have also proven to be highly efficient distributors of risk through reinsurance and other forms of credit risk transfer, which provides the protection of a regulated PMIERs compliant permanent capital structure between credit risk, transfer investors, and U.S. tax payers.

We have strong relationships with both GSEs. Our teams continually work successfully together across many fronts, including seeking opportunities to improve the current mortgage insurance product and processes. We are also working with our customers to develop innovative solutions to insure first-loss mortgage risk. We believe we are well-positioned to continually innovate by leveraging our deep understanding of each customer from a quality and performance perspective. Our proprietary risk analytics to improve operational efficiency and support the certainty of coverage for all parties involved in the transaction, and our strong PMIERs compliant capital base. At

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Radian, we will compete for all mortgage insurance business that meets our portfolio management requirements and creates shareholder value.

Now turning to the third topic, I'd like to address mortgage insurance price competition. The MI industry has always been a competitive one, making competition a perennial concern among investors. Recently, two other mortgage insurance companies have announced a reduction in their borrower paid monthly premium rates. It's important to note that despite the price competition we cited in our latest 10-K filing and that our competitors have described as a reason to adjust pricing, we grew our MI business volume year-over-year including our volume and mix of borrower paid monthly business.

At Radian, we expect to continue to generate strong through the cycle returns for our shareholders. We continually evaluate our competitive position and will make adjustments to our pricing that we believe are necessary. And any pricing changes will be consistent with our capital deployment and portfolio management strategy, which is focused on maximizing the long-term risk adjusted economic value of our insurance portfolio.

As I said earlier, we are well positioned to compete for all mortgage insurance business that meets our portfolio management targets. We will remain disciplined and are willing to differentiate from the competition, if warranted.

We are monitoring and evaluating the competitive environment, particularly where certain MI companies are making changes to their standard rate card. We expect to announce our response to the recent actions by competitors in the near-term. Net-net for the business that meets our portfolio management targets, we will not put ourselves at a competitive disadvantage.

I believe it is also important to remind you that the greatest benefit from tax reform relates to the increased value of our insurance portfolio, which is a permanent change in value and is not impacted by any future pricing adjustments. At Radian, we have $204 billion of insurance in force, which is one of the largest high quality portfolios in the industry. The portfolio is highly valuable and is expected to be a significant driver of our future earnings.

Regardless of any potential pricing changes impacting returns on new business, the tax rate change has a meaningful benefit to our existing portfolio and the future earnings that it provides. Additionally, the value of this portfolio provides us with significant strategic financial flexibility in terms of developing opportunities that further enhance returns and reposition capital for strategic uses.

Now I'd like to spend a few minutes on why we are different in terms of how we strategically approach our business and how this uniquely positions us for the path forward. Over the past year, we made an important shift in how we manage our business and complement our core competencies including risk management, diversified product set, customer service, capital strength, and financial flexibility. This shift has happened in three primary ways: strategically integrating the business into a one company model, driving increased economic value through effective portfolio management, diversifying our business across mortgage and real estate services.

Let me first talk about how we redefined Radian as one company. We have quickly evolved to integrate the enterprise to operate with a shared purpose, values and strategy across the organization. We have not only made the shift internally, but we are making the shift externally regarding how our customers view Radian's capabilities.

As I had mentioned to many of you when I joined Radian just over a year ago, I was surprised to learn that key industry leaders I knew and spoke to, many of whom were loyal Radian customers, were not aware of our unique ability to offer a broader set of products and services across the mortgage value chain. We set out to change that

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with the launch of our enterprise sales strategy. I'm pleased to report that Brian McMahon and his enterprise sales team have created significant momentum, including establishing a growing sales pipeline across our core mortgage, real estate, and title products and services.

This internal and external one-company model is comprehensive and expands well beyond the enterprise sales. Today, our one-company approach in fact, almost everything we do, and I'm pleased to say that we're beginning to see the positive results of this effort.

Second, redefined our approach across our insurance business, which includes our mortgage insurance products and our alternative credit risk solutions, to be a portfolio management model with a focus on growing long-term economic value of the in-force portfolio. We are leveraging our core risk management competency, informed by our proprietary data and analytics platforms in order to drive future earnings by deploying capital across our high-quality and profitable mortgage insurance business, including alternative residential mortgage credit risk transfer structures.

With the MI and risk Services business under the leadership of Derek Brummer, he and his team work continually to optimize the risk return profile of our portfolios employing customer and operational analytics, frameworks to inform our decision making and to enhance the overall effectiveness of our portfolio management.

At Radian, we evaluate the long-term value of existing and future business by using our economic value approach. Our methodology projects lifetime net cash flows for our insurance policies offset by the estimated cost of required capital to arrive at an economic value. This methodology assists us in evaluating opportunities, including various portfolio strategies. By using this long-term economic value framework, we are able to manage our business, portfolio and capital the right way through a disciplined, analytical approach. We execute our economic value-driven portfolio management model, combined with our differentiated customer analytics framework to grow our business with the right customers, writing business that produces attractive, risk-adjusted returns for our shareholders.

As you can see from our success in writing new business in 2017, as well as our volume in the first quarter of 2018, this approach allows us to effectively compete and win business. I should note that we've accomplished our growth this year and last while actively managing our client base, including shifting volume from lower value to higher value mortgage insurance business.

As portfolio managers, we continue to strive to compete through the creation of a high quality portfolio generating long-term sustainable economic value versus focusing on low value volume to grow market share. Given the competitive environment, this capability is a strategic imperative and is highly valuable as we make strategic pricing and capital allocation decisions. Again, simply stated, it is our objective to effectively compete for all business that fits our portfolio management targets.

And third, we are diversifying our business through the strategic expansion of our Services business across our mortgage, real estate, title products and services focused on driving sustainable and recurring revenues. We are refining and [ph] improving (16:51) our product set offered across our Services business to align with the needs of our customers going forward. We are digitally enabling our products and services by leveraging technology and data to drive our business and deliver against the future needs of our customers. We are leveraging the entrepreneurial spirit of a fintech business, combined with the industrial strength that our scale and distribution provides, with the goal to evolve this business towards an industrial strength fintech business model. We believe this is a winning combination and will drive future value for our shareholders.

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In February, Eric Ray joined our team as Head of Technology and Transaction Services. This new role was created based on the strategic importance of technology and digital delivery to our businesses and to create strategic oversight over the transformation of our Services products. With his broad financial services and technology experience, Eric brings a fresh and valuable perspective to our team.

As part of the execution of our diversification strategy, last month, we announced an acquisition of Entitle Direct, a relatively small but important strategic acquisition for Radian as state licenses and geographic focus expands our customer reach in title services, one of the core services products. Radian title services can now serve a broad and growing network of more than 1,500 mortgage customers and 20,000 realtors across the country.

So net-net, I believe that we are well-positioned for the future, with the right strategic focus, with the right team in place to execute our plan. Business momentum, fueled by our strong customer relationships, a highly valuable insurance portfolio that is expected to produce significant earnings in future periods, a core expertise in managing credit risk, a diversified set of products and the financial flexibility and capital strength to complete, grow, and diversify our revenue sources, serve our customers and create even greater value for shareholders.

Now, I'd like to turn the call over to Frank to review our financial results.

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 reported earlier this morning, we reported net income of $114.5 million, or $0.52 per diluted share for the first quarter of 2018, compared to $0.03 last quarter and $0.34 in the first quarter of 2017. Adjusted diluted net operating income per share for the first quarter of 2018 was $0.59, an increase of 16% over the fourth quarter 2017 and 60% over the same quarter last year.

We have also highlighted our return on average shareholders' equity this quarter, both on a reported basis and adjusted net operating basis to illustrate the profitability of our enterprise. During the first quarter, we had reported ROE of 15.1% and adjusted net operating ROE of 17.1%.

I'll now provide some of detail of the key operating elements of our performance. I'll start with the key drivers of our revenue. Our new insurance written was $11.7 billion during the quarter, compared to $14.4 billion last quarter. This linked-quarter decrease of 19% is consistent with expected seasonal patterns, but we did enjoy a healthy 16% increase over the $10.1 billion written in the first quarter of 2017.

In fact, our first quarter 2018 volume is the highest first quarter volume we have had in over a decade. Further, our mix of new production continues to shift towards a higher concentration of monthly premium business, as monthly premium and IW was up 22% year-over-year, while we had a 3% decline in single-premium NIW over the same period last year. This quarter had the highest share of monthly premium volume in over five years. Also, consistent with our recent strategic focus on shifting our mix of single-premium production from lender-paid to borrower-paid, our first quarter lender-paid singles production decreased from 23% to 16% of NIW year-over-year. And, conversely, our first quarter borrower-paid single share increased from 2% to 5% year-over-year, and we would expect to see continued growth in this product category.

On a gross basis before reinsurance, single-premium policies represented 21% of NIW in the first quarter of 2018 compared to 25% in the first quarter of 2017. On a net basis, after our 65% cession to reinsurers, our retained single-premium percentage was only 7% in the first quarter of 2018. The new business we are writing today

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continues to consist of loans that are expected to produce excellent risk-adjusted returns, and the net retained mix of our business continues to be outstanding.

Primary insurance in-force increased to $204 billion at the end of the quarter, a 10% increase over the same period last year. It is important to remember that the in-force portfolio is the primary source of our future near-term earned premiums and, as such, is expected to generate future earnings that are not reflected in the current period financial statements, nor is it reflected in our reported book value, but it is expected to be recognized over time in future periods.

Persistency trends remain positive, and our 12-month persistency rate was relatively flat at 81% in the first quarter 2018 compared to 81.1% in the fourth quarter of 2017. Our quarterly persistency, however, increased significantly from 79.4% in the fourth quarter of 2017 to 84.3% this quarter due to the relatively low persistency rate reported in the fourth quarter of 2017 due in part to the increased cancellations associated with our ongoing servicer monitoring process for single-premium policies. The first quarter of 2018 did not have any material anomalous activity that would impact persistency.

Our direct in-force portfolio yield increased slightly to 48.7 basis points this quarter compared to 48.1 basis points last quarter as seen on slide 11. Our primary direct in-force portfolio yield has been relatively stable over the past several quarters as the mix of new business we are writing today has expected yields that are roughly in line with our current portfolio yield.

Net premium yields, which include the impact of single-premium policy cancellations and ceded premiums under our reinsurance arrangements are also presented on webcast slide 11, which shows the components of our net premium yields over the most recent five quarters. Single-premium cancellations resulted in $12.3 million of direct earned premiums this quarter compared to $21.2 million in the prior quarter and $10.4 million in the first quarter of 2017. This decrease in single-premium acceleration on a linked-quarter basis is primarily attributable to the fourth quarter 2017 servicer monitoring process mentioned earlier and accounts for the decline in our net premium yield as compared to last quarter.

Net premiums earned were $242.6 million in the first quarter of 2018 compared to $245.2 million in the fourth quarter of 2017 and $221.8 million in the first quarter of 2017. The decrease from prior quarter was primarily due to the decrease in single-premium cancellations as well as the slight increase in ceded premiums due to our enhanced reinsurance on single-premium policies. An increase in monthly premiums substantially offset these effects in the first quarter of 2018. This 9% increase from the first quarter of 2017 was primarily attributable to our insurance in-force growth, particularly with regard to monthly premium policies.

Total services revenue for our Mortgage and Real Estate Services segment decreased to $34.2 million for the first quarter of 2018 compared to $40.7 million for the fourth quarter of 2017 and $40.1 million in the first quarter of last year. This decrease was expected as we continue to evolve our business to create more sustainable recurring revenue sources. Our services adjusted EBITDA margin for the first quarter of 2018 was approximately 1.4% and included restructuring charges of approximately $0.5 million.

We continue to expect the Services adjusted EBITDA margin to be in the 10% to 15% range by the second half of this year. We also continue to expect our annualized run rate revenue of between $150 million and $175 million, beginning in the second half of 2018.

Moving now to our loss provision and credit quality, as noted on slide 15, during the first quarter of 2018, we had a reduction in our loss provision on the current period defaults as compared to the fourth quarter of 2017. This

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decline primarily related to the reduction in the number of new defaults during the quarter and a reduction in our defaulted claim rates on new defaults.

Given the continued improvement in cure rates, we again reduced our estimated default to claim rate on new defaults that are not in FEMA-designated areas. The average default to claim rate applied to new primary defaults received in the quarter was approximately 9%, which reflects recent observed trends and seasonal patterns, and compares to 10% in the fourth quarter of 2017 and 11.5% in the first quarter of 2017.

Historically, new default notices received in the first quarter have cured at higher rates than subsequent quarters, and we have considered this pattern in developing the estimates for the quarter. We believe that if observed trends continue, default to claim rates could fall as low as 8%, although the timing of this decline is difficult to predict.

Excluding the new notices of default from FEMA-designated areas associated with Hurricane Harvey and Irma, the total number of new defaults decreased by 11.4% compared to the fourth quarter of 2017 and 2.5% compared to the first quarter of 2017. We expect most of the new defaults we have received between September 2017 and February 2018 in FEMA-designated areas to cure within 2018 at a higher rate than non-FEMA designated area defaults. So we assign a much lower estimated claim rate to these new defaults, and therefore, these incremental defaults did not have a significant impact on our loss provision.

We have observed a significant increase in cures on hurricane-related defaults since December 2017. Please see slide 17 for further details on the default activity in FEMA-designated areas.

We segregate our new defaults between our pre-2009 and post-2008 portfolios on slide 17. As our post-2008 vintages reach peak default years, which are typically in years four to six, we are seeing an expected increase in default activity, though at very low rates.

Also noted on slide 17, the number of new defaults in our post-2008 portfolio decreased in the first quarter of 2018 as compared to the fourth quarter of 2017 as the impact of new default notices in FEMA-designated areas associated with 2017 hurricanes reached its peak impact in the fourth quarter of 2017.

Overall, the performance of our portfolio remains strong with positive trends continuing. Further evidence of both the strong credit profile and business written after 2008, which is now 92% of our primary MI risk in-force, including HARP loans, as well as greater predictability around the pre-2009 portfolio.

Now turning to expenses. Other operating expenses were $63.2 million in the first quarter of 2018 compared to $66 million in the fourth quarter of 2017 and $68.4 million in the first quarter of 2017. As for future expense expectations, we still expect that our total other operating expenses for 2018 would not exceed our 2017 expense levels, and that we will achieve positive operating leverage such that our revenues will grow at a faster rate than our expenses.

For the first quarter of 2018, revenue increased modestly primarily driven by a 9% increase in net premiums earned, while other operating expenses decreased by 8%, both as compared to the first quarter of 2017. These results are consistent with Radian's strategic objective of increasing operating leverage through revenue growth and disciplined expense management.

Details regarding notable variable items impacting revenues and restructuring and other exit costs may be found in Exhibit D.

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Moving now to taxes. Our effective tax rate for the first quarter was 19.6%. The difference between the statutory rate of 21% and our effective tax rate for the quarter of 19.6% was primarily due to the impact of discrete items such as accounting for uncertain tax position. Our expectation for our 2018 annualized effective tax rate before discrete items is approximately the statutory rate of 21%.

As Rick previously mentioned, the greatest near-term impact of tax reform is the instant and permanent value creation related to our existing insurance in-force portfolio.

Subsequent to quarter end, Radian was notified that the joint committee on taxation had no objections to the terms of the company's previously disclosed proposed settlement with the IRS, which we now expect to incur within the next several months.

While the expected impact of the final settlement will reduce Radian's available holding company liquidity by approximately $35 million, the company expects to recognize in the second quarter a net positive impact to tax expense, net income and book value of approximately $0.14 per share. This estimated benefit is primarily related to the lower-than-expected interest accrued on the tax efficiency and the impact of the remeasurement of the company's deferred taxes due to the enactment of the tax reforms during the fourth quarter of 2017.

This amount does not include any potential related benefit from the impact on state income taxes, which has not yet been determined. We also anticipate that we will receive back approximately $54 million of our $89 million on deposit with the IRS.

During 2018, the company purchased 531,013 shares of its common stock in the first quarter for approximately $10 million, and an additional 924,720 shares in the second quarter for approximately $15 million. This is a clear demonstration that Radian is committed to providing shareholder value through a prudent use of its capital, and by being opportunistic and forward-looking in its management thereof.

As we have previously disclosed, our current share repurchase authorization of $50 million with $25 million remaining, utilizes a value-based 10b5-1 plan with trading instructions that are based on predetermined criteria. This allows us to purchase shares throughout the authorization period when the predetermined criteria are met.

And finally, under PMIERS, Radian Guaranty had available assets of $3.7 billion, and our minimum required assets were $3.2 billion as of the end of the first quarter 2018. The excess available assets over the minimum required assets of approximately $526 million represents a 16% PMIERS cushion.

We have also noted on slide 21 our current PMIERS excess available resources on a consolidated basis of over $900 million, which, if fully utilized, represents 29% of our minimum required assets.

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 achieved excellent financial results for the first quarter with year-over-year growth of 50% for net income, 60% for adjusted diluted net operating income per share, 4% for book value per share, and 13% for tangible book value per share. We made progress in re-positioning our Services segment for sustained growth and profitability, and also grew our mortgage insurance in-force portfolio to 10% year-over-year, which is the primary driver of future earnings.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question today comes from the line of Mark DeVries with Barclays. Please go ahead.

Mark C. DeVries
Analyst, Barclays Capital, Inc.

Q

Yeah. Thank you. Rick, can I take your comments that you expect to announce a response in the near term to the pricing adjustments. To mean that in the coming weeks, we should expect that you will announce that you're moving the rate card down to effectively be in line with what MGIC and Genworth have done? And if that's the case, would you expect this to represent a new pricing equilibrium that you think the industry coalesces around?

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Yeah. Thanks, Mark. I think as we think about what's happening from a pricing point of view, as we disclosed in our 10-K, we've been observing some selective discounting across the market. And obviously, we've seen the news from the two other competitors where they're making adjustments. By the way, these are [indiscernible] (37:19) exactly the same from a structural point of view. And so we – as we do continually, we've been very thoughtful, very disciplined and deliberate about how we're thinking about pricing going forward.

If you back up just a bit on post-tax reform pricing, I think as you saw, returns go up on that business into the low 20s, I think, it's safe to assume that in the long term those – that pricing is not sustainable on new books of business. Obviously, we had permanent adjustment on our insurance in-force portfolio that's material, right?

So I think as we're – today, we're evaluating all the different actions that are taking place in the industry. I think our expectation is to take a very disciplined and deliberate approach about how we think about how we structure pricing going forward across in our business. And we expect to announce something in the very near term.

I do think as we look at our business, and where we expect returns to settle down on new mortgage insurance business, we're taking into account what we know of PMIERs 2.0 today and looking at competitive pressures, we still think this business is going to generate mid-teens returns going forward, which we think is very, very attractive from a shareholder value creation point of view.

And so we will come forward with our changes. I think we're going to use this as an opportunity to really be thoughtful from our risk return and really looking at the changing risk dynamics that are occurring in the marketplace, we'll be a little bit more thoughtful about how we reflect and adjust pricing going forward. So the answer is stay tuned. We will be coming out with our own thoughts here soon.

Mark C. DeVries
Analyst, Barclays Capital, Inc.

Q

Okay. Fair enough. And then, on this Entitle Direct acquisition, is that just an agent? Or are they actually an underwriter?

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Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

So they actually are an underwriter. Their licenses are as a title insurance underwriter across – I think their licenses go across 40 states, if I remember right, which expands our footprint, license footprint in combination with ValuAmerica. We refer to those businesses under our Radian title services. It puts us in with the opportunity to expand our footprint to deliver business across, I think, 46 states in total, including the District of Columbia, including California, and all the other – I think it's probably a significantly high percentage of the total mortgage business done across the country.

So I think that we really look at it as a geographic expansion opportunity at a very low highly accretive cost.

Mark C. DeVries
Analyst, Barclays Capital, Inc.

Q

Okay. Would you expect this to be a foothold in a longer-term build-out of that business? Because as we see from covering the title insurers that there's a pretty dramatic difference in margins between the larger scale players and the smaller players.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Yeah. I would agree with that. I think what we believe providing a title products and settlement services to our customer base, remember, we're very different than some of the other – even some of the large players out there, given the scope of our relationships across the market. As I mentioned, we have 1,500 lender relationships that we're in every day from the top of the house through the organization, different than the traditional title insurance company lender.

Secondly, we have 20,000 realtors we do business with every day. So we have a lot of distribution to bring the title product and settlement services to the market across, right? So I think we look to leverage that, number one.

Number two is we're not here about building the past. We're very much focused on how we build the future and we digitally enable the deliveries of the title products and settlement services. So the nice part of where we are is we have a fresh canvas to start from. And I think as we're moving our business forward, we're being very thoughtful about how we want to develop it based upon the future needs of the market versus what is embedded in the past in some of our large titles.

So I see us being – taking the opportunity to really distribute title products and settlement services much more as a contemporary, forward-thinking provider as opposed to one trying to build what's been done in the past. I think that will allow us to achieve greater margins. And I think leveraging our distribution gives us a strong competitive advantage from which to start.

We don't expect to grow this business to the level some of the players are at today overnight. But I think given our market position and the capabilities we bring to think about how it can be done, it should be done, leveraging our technology and our people, and Eric joining the team, I think it's a big part of that. I think we're well-positioned to design the future as opposed to the past, leveraging our distribution to do that and grow the business solidly and fundamentally.

Mark C. DeVries
Analyst, Barclays Capital, Inc.

Q

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Okay. Got it. Thank you.

Operator: And we have a question from the line of Douglas Harter with Credit Suisse. Please go ahead.

Douglas Harter
Analyst, Credit Suisse Securities (USA) LLC

Q

Thanks. Can you talk about your holding company and liquidity and what are the required – what are the levels that you want to hold there and your willingness to accelerate the stock repurchase maybe beyond the $25 million that's remaining?

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

A

Sure. This is Frank. So thank you for that question. As we think about capital liquidity planning, it really is through a couple of different lenses that we evaluate our position. And so as you think about share repurchase, for instance, it's in the context of a broader capital plan, which takes into account rating agency views. We still remain committed to returning to investment grade and reducing our leverage overall, so we get some balancing factors there.

As it relates to holding company liquidity, in particular, I think one of the most significant accomplishments that we've done recently is just the – entering into the credit facility that we did late last year, which gives us tremendous flexibility as a holding company from a liquidity standpoint. And we've also demonstrated an ability to do move liquidity among the legal entities through surplus note last year, which increased our PMIERs cushion at the operating company at so higher levels.

So I would say, taking into account all of those different points and considerations, it's really hard to set a target. And it really is viewed, I think, in totality in the context of those objectives. So I would say, where we are right now is certainly a very comfortable level. We may encounter an opportunity to either increase or decrease, perhaps, a little bit over time. But the general level that we're at right now feels like the right level in the current landscape.

Douglas Harter
Analyst, Credit Suisse Securities (USA) LLC

Q

And, yeah, I guess, on that of moving liquidity across legal entities, is there any thought or what your appetite for looking to institute a dividend from the MI subsidiary up to the holding company?

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

A

That is certainly something that we consider when we're doing our capital planning. I think the hard part about that now is in the context of PMIERs 2.0 and getting just more certainty – and more certainty around that.

The other thing that's important to remember [indiscernible] (45:31) holding company liquidity is also that we have an expense, interest and tax sharing [indiscernible] (45:37) agreements that allows us to really cover the operating cost of the parent company through that predetermined arrangement – preapproved arrangement. So, yes.

Douglas Harter
Analyst, Credit Suisse Securities (USA) LLC

Q

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Thank you.

Operator: And we do have a question from the line of Bose George with KBW. Please go ahead.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hey, good morning. Actually, I just wanted to go back to the comments you made on the premium yield. Did you say that the new premiums are roughly in line with the 47-ish that you guys have on the existing book?

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

A

That's correct. Yeah. So if you look at schedule 11 – or slide 11, the in-force portfolio yield is actually 48.7. And that has been relatively stable over the five quarters presented. And we do expect that to be relatively stable for the foreseeable future, Bose, given some of the out-years, there's a slight decline in those average years. But yes, we do expect to see some stability there.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Great. Thanks. And then, actually, the comments you made about PMIERs and how it impacts your pricing positions, as you make that division, do you assume PMIERs comes in at the high end of – or at the range that was proposed in what you've seen? And then, I guess, to the extent that it comes in better, I guess, that's a better return over time?

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Hi, Bose. This is Rick. And, yeah, I think we as a team really try to take into account all the different factors, including what we know of PMIERs 2.0 today. So to your point, to your question, I think, if they came in better than expectations, obviously, that would be a benefit. And as we've said, there's a good active dialogue between the MI industry and the GSEs, and hopefully, this will all come to finalization over the course of this year. But we've taken into account as we know it today.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Great. And then, actually, on the default to claim, just to clarify, so that 9% number, is that the number going forward until something changes?

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

A

So this is Frank. The way that we've described it is that is approximately 9% in the first quarter, taking into account both the continued improvement in the credit behavior of the portfolio, but also seasonality, and so, say, between those two factors, it's roughly split as far as what drove us from a 10% down to approximately 9%.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. So it did come down a little bit just on seasonality, but close to that number?

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J. Franklin Hall
Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.
A

Correct.

Bose George
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Okay. Okay. Great. Thanks.

Operator: And we do have a question from the line of Sean Dargan with Wells Fargo. Please go ahead.

Sean Dargan
Analyst, Wells Fargo Securities LLC
Q

Yeah. Thanks and good morning. I'm wondering if you have any thoughts on whether the FHFA would opine if the industry were to cut pricing further such that returns were at a point where they were below where they were pre-tax reform? And the reason I ask is, I seem to remember a few years ago when there was a fears of a price war that the FHFA made their concerns known, yet this time around, they've effectively allowed competitors to undercut the primary MIs on LPMI and those competitors are not subject to PMIERS. So I'm just wondering if you think there would be regulatory pushback if industry pricing were to be cut further from where some of the competitors have level set?

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.
A

Hi, Sean. This is Rick. Let me just take that, maybe Derek can add to it as well. But I think there's really two questions in there. I think one is relative to how FHFA might respond to any further price cutting. And I think – in that regard, I think, they probably want to view the stability of their counter-party through this MI industry as one that provides stability and has continued to have strength in making decisions that are not going to create risks to taxpayers. But I think that's probably the lens they look through. I think probably investors would react possibly more quickly than, say, FHFA. But I'd say, it's certainly probably something on their radar.

I think the other – it's not something we hear generally in our conversations. They're really rightfully focused on making sure the capital structure is right, to make sure the MI industry consists of credible counterparties. But back to your second comment about the competition, say, from the IMAGIN program, which I commented on earlier, I think one of the things to highlight is that really having this alternative structure come through, we could certainly talk about that at length.

I think the competitive aspect to it is really quite interesting, because as I mentioned in my comments, almost entirely all the cost differential relates to the difference in building product characteristics, right? The combination of what PMIERs capital we have to hold versus non-PMIERs entity, also the life to loan coverage of our LPMI product versus the ten-year.

So on the surface, those are very different products; much more like some of the other products that have fixed lives or lives that can end earlier than the life of the loan. So I think when you look at the program, we're actively talking to FHFA and the GSEs about those differences. But I don't really think of that as a – I think that's more of a capital arbitrage and a product arbitrage than it is a competitive advantage.

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Sean Dargan
Analyst, Wells Fargo Securities LLC

Q

Okay. Great. Thanks.

Derek V. Brummer
Senior Executive Vice President-Mortgage Insurance & Risk Services, Radian Group Inc.

A

From a competition perspective, I mean, there's always been a competition in the industry. So that's not new. And the important thing to keep in mind, we've seen tax reform, and as Rick pointed out, that reflects not only on our book, but the returns on the current business. And so some of that you see some competition around the edges. But we're seeing it completely down to still a level where we see returns – total returns in the mid-teens, which is very attractive. So the idea that the FHFA would get involved when we see that level of competition, no I don't see that as the competition they're still seeing is on return levels that are extremely attractive.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Yeah. I think when you look at this business and I think we want to kind of be very transparent about this. We think our business, even with all the different competitive dynamics going on today, we think this is a mortgage insurance business levels and then to be kind of a mid-teens business, our business. Obviously levered returns higher than that.

But kind of overall generating an ROE at this business also in the mid-teens. And I think part of the reason why we brought forth the ROE measures this quarter with a 15% GAAP ROE and 17% adjusted operating ROE is to reflect the strength of the earnings kind of organically and just where we sit today. And I think as we're kind of evolving, not only the combination of the portfolio, but where we expect our pricing to settle out through all the changes, competitive, PMIERs 2.0, all the other dynamics we look at from a risk adjusted point of view. We think this is going to remain a highly attractive, strong value creation business relative to the cost of capital.

Sean Dargan
Analyst, Wells Fargo Securities LLC

Q

Thank you. And if I can just ask a quick follow-up regarding your decision process with the share repurchase. Your shares have obviously come off quite a bit but they're still trading above book value per share. So, I mean are you trying to – do you view this as the highest returning use of that excess capital? I'm just trying to figure out if this is something to drive EPS growth, or what you're comped on. If you can just help us think about how you view repurchase?

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

A

Sure. This is Frank. What we said historically and remains true today is that we will be opportunistic about how we approach our share repurchase. We've said previously that we do have a 10b5-1 plan in place. The terms of that plan are not public, but we do report the activity to-date, as we've done today. And as I said previously in response to another question, we do view it in totality in the context of our capital plan and the best uses of capital. So as of today, $25 million remain on the current authorization which expires on July 31. So, hopefully that's helpful.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

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And I might just jump in and add to Frank's comment. So when you really look at our company today and you look at kind of where we see value of this business, obviously we don't think book value is reflective of the value of this firm. And I think as we look at kind of the value of what is inherently in our portfolio going forward and the – kind of going forward growth of our mortgage insurance and Services business, we see significant opportunity and significant value in our company from a growth perspective. So I think as we sit here today and we take into account certainly all the different value components that are part of our business and how we think about that relative towards our stock purchase.

Sean Dargan
Analyst, Wells Fargo Securities LLC

Q

Thanks.

Operator: And we do have a question from the line of Chris Gamaitoni with Compass Point. Go ahead.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

Thanks for taking my call. You've stated that you think returns will exceed the cost of economic capital. How do you view your cost of economic capital?

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

So how do we view it? I mean I think we view it in a lot of different ways and come at it from a risk perspective, looking at the kind of risk across our different portfolios, different categories of insurance, different types of risks that we take. So we have a very quantitative approach to evaluating the risk we're taking across our portfolio looking at it in a fairly broad way. I don't know, Derek, if you want to...?

Derek V. Brummer
Senior Executive Vice President-Mortgage Insurance & Risk Services, Radian Group Inc.

A

Sure. So when we're looking at returns and when we're seeing those we are talking about that in terms of PMIERs capital. So when we think about economic capital, what we're looking to do is kind of find the optimal portfolio when you look at the differential between how we might do it from an economic capital perspective, or kind of a projected loss perspective under various scenarios versus the PMIERs required capital. And so what we're attempting to do is then optimize the returns on that basis kind of looking at both of those facts.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

And is there – like are you willing to disclose what you believe your cost of capital is? Or what level of return you would deem inappropriate for the risk you're taking?

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

So that's something that we don't disclose. I think in terms of – we're looking at obviously it's all based on PMIERs, it's kind of a binding capital and as Derek said, kind of looking at it across, also an economic capital allocation. So it's not something we disclose.

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And I think the returns when we see this business going forward that I've mentioned really reflect PMIERs 2.0 forward and how we think about pricing. And so we think the returns are highly attractive to the risks that we're taking going forward. Where we expect our business to settle out kind of in the mid-teens ROE, mid-teens on new business from an overall basis.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

Okay. And just one follow-up. In your comment about your response to the pricing actions taken by two competitors. Am I right in understanding that you may have an approach that is more selective about which types of credit risk you may want to be more, let's call it, more favorably or more competitively priced versus others instead of just matching like-for-like.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Yeah, I think – so for us we're being very disciplined, taking a very thoughtful approach to it. We do think that there's an opportunity to think about risk across the spectrum and how it's priced. And I think until we're ready to announce our approach, we'll just kind of complete our analysis and then you will hear more from us in the near-term.

By the way going back to your previous question about returns. I mean it's safe to say that we see returns well in excess of our cost of capital. So we think that's really where true economic value is greater in the business for shareholders. So just again, try not to mix your questions up, but I wanted to go back and make sure we stated that as well.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

Okay. Thank you very much.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

You're welcome. Thank you.

Operator: And we do have a question from the line of Mihir Bhatia with Bank of America. Please go ahead.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Hi, and thank you for taking my questions. To start, if I could just follow-up on the comment on premiums and what competitors have done. Now one difference between the two who have announced is there has been a little bit more I think adjustments for co-borrowers and DTIs and things like that. So is that how you see the industry developing further where you continue to get the last price evaluate – I think the last price adjustments, we saw narrower FICO bands. Now we're seeing more adjustments for more and more granular adjustments. Is that how you see the industry developing further? And is that something we should be thinking about, or? I'd just like your reaction to that.

Derek V. Brummer
Senior Executive Vice President-Mortgage Insurance & Risk Services, Radian Group Inc.

A

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This is Derek. I mean, it's tough to say exactly what the industry will do or competitors, but I can say from our perspective, and Rick touched upon this, is we take a risk-based approach. So that if we see characteristics at a loan level or even at a lender level and that impact is expected performance as a portfolio, then we would move in a direction of trying to instill that in the pricing of the risk we're taking on the portfolio.

So to the extent that we see that move towards kind of more risk-based and putting in place kind of more granularity is something I could see us shifting toward.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

I would just add to Derek's comments, I think, just to reemphasize, leveraging our risk-based approach combined with kind of how we view the economic value creation across our business and our portfolio, we expect to compete very well for the business that fits our portfolio management targets. And by the way, we think a significant amount of the business in the marketplace today fits those characteristics. And we want to be – I think it's important for the industry that be thoughtful about kind of how things are evolving from a risk point of view and we just want to be a very disciplined portfolio manager in regard to how we price and accept risk across our portfolio.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Okay. Thank you. Can you – any changes to your industry or to your NIW expectations for the year after this quarter? I think you had mentioned around $50 billion last time, so I just wanted to check.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Yeah, so, yeah, thank you, Mihir. I think we're only in the first quarter and I think – so we're going to stick to our guidance of approximately $50 billion of NIW for the year. We see the mortgage market as really being very positive right now. For the MI business, we're obviously – we're seeing mortgage lenders, feel the impact of lower volumes, with volumes kind of expected year-over-year to decline 7%, but the key for our business is we see purchases across the market growing 6% year-over-year and we're 3 to 5 times more likely to have an MI policy on a purchase loan than we are on a refinance loan, as we've said in the past.

So we think it's a very good, strong, growing environment for the MI industry and so I think we're sticking to our guidance and we'll see how the year develops and we see our business performing very well, and we're pleased with where we sit, I mean, I think but at this point we're going to stick with it.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Got it. Thank you. And then just finally, on services. Obviously, it's a little bit more restructuring charges, it sounds like to go, but can you remind us, what are your expectations for your run rate, EBITDA, or revenue, just once you are through some of these restructuring charges this year?

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Yeah. So, yeah, great question. So I think the restructuring expenses are 100% in line with what we projected back, I think, at the end of the third quarter, so I think we're on track with that. Number two is we have said in the second half of the year of 2018 that we expect the run rate for the Services business to be between $150 million

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and $175 million of revenue with 10% to 15% EBITDA, and we continue to feel very good about that and continue to move towards that, so I think that the guidance we've given before, continues to be the guidance.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Great. And then just one more thing. Just on premium yield, if you will, they've obviously been pretty stable between 48 and 49 basis points over the last year, and is that just a function of the mix has become? You've added, for example 97% LTV business and that held it up. Because I guess, wouldn't just from the [ph] blast round of (01:05:27) price cuts, the pressure, it would seem, would have been for premium yields to decline, but that obviously hasn't happened as much?

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

A

Yeah. This is Frank. And I think if you recall a few quarters back, we started to guide for a gradual decrease.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Right.

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

A

We have not seen that materialize and it is due to a mix shift that we've seen in production.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Okay. Good. Thank you. Those are all my questions.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

A

Thank you.

Operator: And we do have a question from the line of Jack Micenko with SIG. Please go ahead.

John Gregory Micenko
Analyst, Susquehanna International Group, LLP

Q

Hi. Good morning. Wanted to go back to I guess it was maybe Doug and Sean's question on the buy back, and maybe ask it in a different way. Mortgage [ph] apps (01:06:12) come in about 30%, close to book value. Now you're probably going to grow book at least $4 over the next 18 months. Net debt to cap is low 25% of the balance sheet in great shape. I guess my question is, why not be more aggressive on the buy back. And the point there being are we looking for more clarify around 2.0 on PMIERs before we need to become a little more aggressive? Is investment grade maybe more important at this point than buy backs? It seems to me like a more aggressive step here wouldn't be accretive to returns all else equal anyway.

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

A

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Yeah. This is Frank. And great question, Jack, I appreciate that. It's one of those things that is viewed in the full context of capital planning. That is studying the highest investment use of our capital, [ph] is this full (01:07:06) our organic growth of our very high quality very, very profitable NIW, so we want to make sure that we have the full resources available to us to support that primary objective first.

That being said, the rest of this as far as the share repurchase. The first I think we should acknowledge that we're mindful of utilizing tools such as a repurchase program and have demonstrated the willingness to do it over time. But it is really in the totality with the capital plan and all of the knowns and the unknowns just on the expected path forward. So really all I can say is what I've said around that. And we do not disclose what the parameters of that 10b5-1 plan are.

John Gregory Micenko
Analyst, Susquehanna International Group, LLP

Q

Okay. Fair enough. On that plan, is there an explanation on the 10b5-1 on the programmable side? Or would a new board authorization trigger a change from something that's maybe more automatic than something most objective on your part?

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

A

Well the 10b5-1 plan is intended to be automatic, in so far as we set predetermined criteria for shares to be purchased in the market. And that allows us to be in the market for a longer period of time during the period of authorization. The current authorization expires on July 31 of this year. And again, albeit the repurchase program – we have an authorization in the amount of it, the terms of it et cetera are part of our capital planning exercise...

John Gregory Micenko
Analyst, Susquehanna International Group, LLP

Q

Okay. We'll see what comes of it. Okay. Thanks.

Operator: And we do have a question from the line of Geoff Dunn with Dowling & Partners. Please go ahead.

Geoffrey Murray Dunn
Analyst, Dowling & Partners Securities LLC

Q

Thanks. My question is kind of a spin on what Jack just asked in terms of debt priority. How important is it as you're weighing your credit facility, as you're weighing HoldCo capital and weighing buyback opportunity as well as your maturity next year? How important is it to get your debt to cap below 20%? I guess I'm not fully seeing the picture here of where the priority for cash flows are over the next year at the HoldCo level?

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

A

Sure. So this is Frank. So I would tell you that the debt to cap ratio of approaching 20%, is important for us, because we do think that being an investment grade company does provide us with tremendous strategic flexibility, so we are very mindful of that and I would say that is a significant priority for us in the overall capital plan and the rest of the uses of the capital or as I just responded to with Jack that support the organic business is our highest priority.

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And I think what we have demonstrated is our willingness to be opportunistic about share repurchases, the mechanics of which I've described on the 10b5-1 plan, but overall the intent of the plan is that we have utilized thus far, both this plan and the two previous plans is really intended to be opportunistic.

Geoffrey Murray Dunn
Analyst, Dowling & Partners Securities LLC

Q

So when we look at your credit facility, it sounds like that's really there as a comfort blanket in advance of 2.0 or anything like that, but to borrow on it for any other initiatives would be counterintuitive to your goal to reducing debt to cap?

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

A

Yeah. I think, yeah, I think that's the right way to think about it, Geoff. The credit facility really is intended to be temporary in nature and not to draw on it for any long-term plan. I mean that is the nature of credit facilities in general. So, yeah, I'd agree with what you had.

Geoffrey Murray Dunn
Analyst, Dowling & Partners Securities LLC

Q

Thank you.

Operator: And for closing remarks, I'd now like to turn the conference over to Rick Thornberry. Please go ahead.

Richard G. Thornberry
Chief Executive Officer & Director, Radian Group Inc.

Well I appreciate everybody taking the time this morning to join the call and we appreciate the questions and also appreciate all your interest in our company. I think we've had an excellent quarter and I think we've got great momentum going into the remainder of this year and I look forward to seeing and talking to you as we go through the year. Have a great day.

Operator: And ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using the AT&T Executive Teleconference Service. You may now disconnect.

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