PARTICIPANTS

Corporate Participants

John Damian – Senior Vice President of Corporate Development and Investor Relations, Radian Group Inc.
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 – President-Mortgage Business, Radian Group Inc.

Other Participants

Mark C. DeVries – Analyst, Barclays Capital, Inc.
Douglas Harter – Analyst, Credit Suisse Securities (USA) LLC
Bose George – Analyst, Keefe, Bruyette & Woods
Mihir Bhatia – Analyst, BofA Securities, Inc.
Eric Hagen – Analyst, BTIG LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Q3 2022 Radian Group Earnings Conference Call.

At this time, all participants aren't a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker, Mr. John Damian, Senior Vice President of Corporate Development and Investor Relations. Please go ahead, sir.

John Damian, Senior Vice President of Corporate Development and Investor Relations, Radian Group Inc.

Thank you and welcome to Radian's third quarter 2022 conference call.

Our press release, which contains Radian's financial results for the quarter, was issued yesterday evening and is posted to the investors section of our website at www.radian.com. This press release includes certain non-GAAP measures that will be discussed during today's call, including adjusted pre-tax operating income, adjusted diluted net operating income per share, and adjusted net operating return on equity. In addition, specifically for our homegenius segment, other non-GAAP measures that will be discussed today include adjusted gross profit, adjusted pre-tax operating income or loss before allocated corporate operating expenses and the related homegenius profit margins. A complete description of all of our non-GAAP measures may be found in press release Exhibit F, and reconciliations of these measures to the most comparable GAAP measures may be found in press release Exhibit G. These exhibits are on the investors section of our website.

Today, 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, President of Radian Mortgage.

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 2021 Form 10-K and subsequent reports filed with the SEC. These are also available on our website.

Now, I'd like to turn the call over to Rick.

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

Thank you, John, and good afternoon. Thank you all for joining us today and for your interest in Radian.

Despite a challenging macroeconomic environment and cooling of the mortgage real estate markets, I am pleased to report another very strong quarter for Radian. Our teams remain focused across our three areas of strategic value creation: growing the economic value and future earnings of our mortgage insurance portfolio, growing our homegenius business, and managing our capital resources.

Frank will discuss the details of our financial results shortly. Before we begin, let me share a few thoughts and observations about today's macroeconomic environment, the impact it has on the mortgage and real estate markets and our businesses and, more specifically, how we are positioned to navigate the road ahead. Clearly, there has been a significant macroeconomic shift in 2022, including a 40-year-high rate of inflation, a dramatic increase in interest rates, financial market volatility, a significant widening of credit spreads, and heightened geopolitical risk. This is all despite a resilient job market and a very low unemployment rate across the country.

For our business, in terms of defaults and claims paid, aside from the strength of underwriting and origination and the quality of loan servicers, one of the most important factors is the ultimate level and duration of unemployment through the cycle. We are closely monitoring the wide range of forecasts by economists related to the projected unemployment path. The good news is that our portfolio has been well underwritten and has a strong overall credit profile with meaningful embedded equity. In fact, approximately 89% of borrowers in our default portfolio today have greater than 20% equity in their home. Additionally, we have distributed a significant amount of the risk to the capital and reinsurance markets. Over the past few years, we've been leveraging our proprietary analytics to evaluate markets, assess risk and price on a geographic basis, which we believe strengthens and protects our portfolio for this cycle.

And from a housing perspective, after a two-year run where the real estate market saw a significant gain in home prices, home sales have begun to slow and the inventory of existing homes for sale remains low based on historical standards. Home prices are now showing a rapid reversal off their record-highs across the country. And although the rise in mortgage rates has certainly created an affordability issue, another important variable in the market is a supply and demand imbalance. There are millions of millennials expected to continue to reach the prime home buying age for the next several years, and there is an extreme shortage of affordable housing stock, which is further challenged by homeowners that have a mortgage note rate in the mid-2% to low-3% range and are less likely to move. Although for the remainder of 2022 and into 2023, economists generally expect and we agree, a peak-to-trough single-digit decline in home prices nationally, which may vary greatly across local markets. We believe the short supply of affordable homes and the strong demand for first-time homebuyers will lead to a more healthy and stable national housing market in the years ahead, which will continue to support and provide tailwinds for purchase market growth in 2024 and beyond.

And from a mortgage market perspective, mortgage interest rates have more than doubled over the past year, reaching a 20-year high, while the number of mortgage applications fell last month to a 25-year low. The most recent mortgage origination forecasts call for a smaller origination market in 2023, with purchase originations expected to decline somewhat from 2022 to 2023.

Let me spend a few minutes discussing how we are positioned to successfully navigate this environment. In terms of our businesses, for our Mortgage segment, even as the macroeconomic environment remains challenging that we expect NIW volumes to slow over the next year, we expect to continue to see opportunities to put our capital to work at attractive risk-adjusted returns.

By leveraging our proprietary analytics and RADAR Rates platform focused on driving economic value, we've been able to calibrate our dynamic risk-based pricing to address the risks and opportunities that we see in the current market. And we continue to execute our aggregate manage and distribute mortgage insurance business model focused on lowering the risk profile and the through-the-cycle volatility of the business. We've been modestly increasing our pricing to better reflect today's environment and have seen some evidence of price increases among our mortgage insurance peers as well.

As a reminder, the continued increase in mortgage interest rates is driving higher persistency across our large and valuable insurance in force portfolio, which we expect to fuel continued portfolio growth. And the increase in interest rates has also resulted in higher yields across our $5.6 billion investment portfolio, which generates incremental income that flows directly to our bottom line. And perhaps, most important is that the quality of the mortgage industry's loan manufacturing and servicing processes remains strong.

For our homegenius segment, we experienced a further decline in homegenius revenues during the third quarter due to the rapid decline in industry-wide mortgage and real estate transaction volume. As a result, we are making the necessary adjustments to our expense structure to reflect the changes we see in the environment. Despite reduced market volume, we continue to see growing interest in our homegenius products and services from lenders, real estate agents and real estate brokers, which helps to reinforce the future growth opportunities for this business, albeit at a slower pace than originally expected due to market conditions. Frank will provide an update on our homegenius financial results.

In terms of capital and liquidity, we are well positioned for the environment ahead. At September 30, Radian Group maintained nearly $850 million of total holding company liquidity, and Radian Guaranty's available assets under PMIERs totaled approximately $5.4 billion, resulting in a PMIERs cushion of $1.6 billion or 44%, which we believe positions us well to navigate this environment. We continue to remain nimble in terms of utilizing risk distribution structures to manage required PMIERs capital by optimizing between the capital and reinsurance markets based on best execution.

In terms of managing our cost structure, while our strategic priorities remain unchanged, we also remain focused on driving operational excellence across our businesses. Over the last several months, we've evaluated our enterprise-wide expense structure and developed a plan to align our overall expenses and resources to better reflect the current market environment while supporting our strategic priorities. During the third and fourth quarter, we have taken actions to reduce the run rate of our cost of services and operating expenses, which we expect to begin fully realizing in the first quarter of 2023. Frank will provide details on these actions.

As you've heard me say before, our company is built to withstand economic cycles, significantly strengthened by the PMIERs capital framework, dynamic risk-based pricing, and the distribution of risk into the capital and reinsurance markets. We remain committed to our business strategy across our Mortgage and homegenius businesses and are making the adjustments to our cost structure that are reflective of the economic environment to help ensure our success.

Our team just hosted well over 100 meetings at the Annual Mortgage Bankers Association Convention, discussing our Mortgage and homegenius products and services. I personally met with many CEOs and other leaders from across the industry to listen to their needs. I heard loud and clear that our core competencies related to credit risk management and real estate data and analytics, combined with our set of innovative digital products across the mortgage and real estate ecosystem, are becoming increasingly valuable to them as they reimagine their businesses towards a more digital future. It was clear to me from my meetings that they want and need Radian to work with them to meet their emerging strategic needs. And while we navigate through the reality of lower industry volumes for the near-term, we will continue to leverage our outstanding customer relationships and our diversified set of innovative products and services, as well as our experienced and passionate team to provide the solutions our customers need and to drive our future success. We believe our high-quality insurance portfolio, innovative homegenius products, and our strong capital and financial flexibility are valuable strategic assets that position us well today and in the future.

Now, I would 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 afternoon, everyone.

To recap our financial results issued last evening, we reported GAAP net income of $198.3 million or $1.20 per diluted share for the third quarter of 2022 as compared to a $1.15 per diluted share in the second quarter of 2022 and $0.67 per diluted share in the third quarter of 2021. Adjusted diluted net operating income was $1.31 per share in the third quarter of 2022 compared to $1.36 in the second quarter of 2022 and $0.67 per share in the third quarter of 2021.

I'll now turn to the key drivers of our revenue. Our new insurance written was $17.6 billion during the quarter compared to $18.9 billion in the second quarter of 2022 and $26.6 billion in the third quarter of 2021. New insurance written for purchase transactions was $17.3 billion, a decrease of 27% year-over-year. Purchase volume accounted for 98% of our total new insurance written for the third quarter of 2022 compared to 90% in the third quarter of 2021.

Our reported quarterly annualized persistency rate increased to 81.6% this quarter compared to 67.5% a year ago. Primary insurance in force increased to $259.1 billion this quarter, showing growth of 7.3% year-over-year. We are modifying our expected insurance in force full-year growth rate expected insurance in force full-year growth rate for 2022 to about 5.5% due to service or reconciliations on our single premium policy cancellations and a reduction of NIW expectations due to slowing originations. This is down from our previous full-year 2022 growth expectation of approximately 7%.

Monthly premium insurance in force has grown 12% year-over-year and represents 85% of our total portfolio, as shown on webcast slide 11. Total net premiums earned were $240.2 million in the third quarter of 2022 compared to $253.9 million in the second quarter of 2022 and $249.1 million in the third quarter of 2021.

Webcast slide 12 shows the trend in mortgage insurance in force portfolio premium yields over the past five quarters, including the impact to our net yield from ceded earned premiums related to our most recent quota share reinsurance agreement starting in the third quarter of 2022. This trend is consistent with our expectations of an approximate 2 basis point decline in normalized direct in force yield during the full-year 2022, and our expectation remains unchanged.

The yield on our investment portfolio has increased approximately 100 basis points since the third quarter last year to 3.24% this quarter, and our investment income has increased 43% compared to the same quarter prior year. The rising interest rate environment contributed to this increase in investment income and is expected to continue to be positive for the reinvestment rate of future cash flows. However, as in the prior quarter, rising interest rates during the quarter had a negative impact on period-end market values and increased unrealized losses on the investment portfolio, which negatively impacted our book value since these unrealized losses are primarily recorded directly to our stockholders' equity through accumulated other comprehensive income and loss.

As we have noted on webcast, slide 8, we do not expect to realize these losses as we have the ability and are likely to hold our investments to maturity, and the unrealized losses are expected to diminish and security values are expected to trend to par value as they approach their maturity date. Our ability to hold securities to maturity is another benefit of our strong operating cash flow and financial strength.

Our homegenius segment revenues were $25.1 million for the third quarter of 2022 compared to $32.3 million for the second quarter of 2022 and $45.1 million in the third quarter of 2021. Our reported homegenius pre-tax operating loss before allocated corporate operating expenses was $20 million for the third quarter of 2022 compared to $12 million for the second quarter of 2022 and $600,000 for the third quarter of 2021. Our reported homegenius adjusted gross profit for the third quarter of 2022 was $6.3 million compared to $11.2 million for the second quarter of 2022 and $17.9 million for the third quarter of 2021. A reconciliation of our homegenius non-GAAP measures to the comparable GAAP measures can be found on Exhibit G.

In light of the significant origination market volatility and uncertain economic landscape that Rick discussed earlier and the resulting impact this has on our homegenius segment revenue, we are withdrawing all prior guidance on our homegenius segment. We remain focused on improving the overall performance of the segments and continue to focus on achieving profitability, positive cash flow, and the creation of positive operating leverage over time.

Moving now to our loss provision and credit quality, as noted on webcast slide 15, we had a benefit of $97.5 million in our mortgage provision for losses for the third quarter of 2022, compared to a benefit of $114.2 million in the second quarter of 2022 and a loss of $16.8 million in the third quarter of 2021. Also, as noted on webcast slide 15, the provision for losses for the third quarter of 2022 includes positive reserve development on prior defaults of $136.7 million. This positive development was primarily driven by more favorable trends and cures than previously estimated, aided by the accumulated benefit of home price appreciation which resulted in a change to the assumptions related to prior-period defaults.

While the strong home price appreciation experienced in recent years is also expected to benefit our current-period new defaults, we maintained our prior quarter assumptions for those defaults for the third quarter of 2022 including the default to claim rate assumption on new defaults at 8%, as we continue to closely monitor the trends in tiers and claims for our default inventory while also weighing the risks and uncertainties associated with the current economic landscape. Keep in mind that the current economic landscape could impact our future claim rate assumptions on new defaults differently than prior-period defaults, simply because there has been a larger buildup of home price appreciation in the older origination vintages. And it is possible for our claim rate expectations to directionally diverge between older and newer origination vintages.

As of September 30, 2022, 98% of new defaults from the second quarter of 2020, the largest COVID-related default quarter, have cured. These favorable trends for defaults reported in 2020 were the primary catalyst for the positive reserve development reported this quarter. For additional context, based on the continued strong share volume, we have reduced the default to claim rate assumption for the large population of defaults first reported in the second quarter of 2020 to an ultimate rate of approximately 1.5% this quarter compared to 2.5% last quarter and our original assumption of 8.5% set in the second quarter of 2020.

Now, turning to expenses. Other operating expenses were $91.3 million in the third quarter of 2022, an increase compared to $90.5 million in the second quarter of 2022 and $86.5 million in the third quarter of 2021. The increase in other operating expenses as compared to the same quarter prior year is primarily related to increased employee expenses in our homegenius segment since prior year of $8.4 million, partially offset by a $4 million decrease in mortgage operating expenses.

To aid in the analysis of our operating expenses, we have provided additional segment-level detail on press release Exhibit E. And as Rick mentioned earlier, we have embarked on a significant effort to better align our expenses and workforce to our current and expected work environment and efficiency goals in response to what had been an upward trend in our expense base to almost $90 million a quarter on a normalized basis.

Based on our actions to-date, we expect the run rate impact of these changes, when fully implemented, to begin to be recognized in the first quarter of 2023 when we expect ongoing quarterly operating expense levels to be between $80 million and $85 million on a consolidated basis. In addition to the benefit we expect to receive in our other operating expenses, we also expect an annual $15 million reduction in our 2023 cost of services line item in our homegenius segment. We will continue to provide updates on our expense run rate estimates and our progress in achieving our efficiency objectives.

Now, moving to capital and available liquidity. As Rick mentioned, Radian Guaranty's excess PMIERs available assets over minimum required assets was $1.6 billion as of the end of the third quarter, which represents a 44% PMIERs cushion. As of September 30, 2022, we have reduced Radian Guaranty's PMIERs minimum asset requirements by $1.2 billion by distributing risks through both insurance-linked notes reinsurance and other third-party reinsurance arrangements, as noted on press release Exhibit K.

As previously announced, in July 2022, Radian Guaranty agreed to terms on a quota share reinsurance arrangement with a panel of highly-rated third-party reinsurance providers. Under this new agreement, in the third quarter of 2022, we began to cede 20% of the exposure on the policies issued between January 1, 2022 and June 30, 2023, subject to certain conditions.

For Radian Group, as of September 30, 2022, we maintained $573 million of available liquidity. Total liquidity, which includes the company's five-year $275 million credit facility, was $848 million as of September 30, 2022. Our available liquidity as of September 30, 2022 benefited from a $32.5 million ordinary dividend from our Radian reinsurance subsidiary. In 2023, we also expect that Radian Guaranty will be able to pay ordinary dividends to Radian Group without prior approval from our regulators for the first time since before the great financial crisis. The dividend amount is formula-driven based upon statutory capital levels and other factors, and it is expected that the potential amount payable in 2023 will be muted when compared to 2024 and beyond.

During the third quarter of 2022, we repurchased 9.5 million shares at an average share price of $20.53. Furthermore, in the month of October, we utilized the remaining purchase authorization under the share repurchase program by purchasing an additional 49,000 shares at an average price of $19.81. Year-to-date, we have purchased 19.5 million shares at an average share price of $20.52, which represents 11.1% of our 2022 beginning of year share count. The execution of our share repurchase program followed our historic value-based approach as we repurchased shares at a discount to our GAAP book value per share and potentially a further discount to book value per share when also considering the expected future earnings from our in force mortgage insurance portfolio and the expected temporary market value adjustment of our investment portfolio noted in accumulated other comprehensive income and loss.

Since 2015, we have repurchased over 85 million shares and returned almost $1.5 billion to shareholders through our repurchase programs. We also continue to pay a dividend to common stockholders. During the third quarter of 2022, we returned approximately $33 million to stockholders through dividends. Year-to-date through October, we have returned over $504 million to stockholders through both share repurchase activity and dividends. Our future capital plans will continue to be based upon the current and expected capital needs of our business, optimizing our overall cost of capital and capital structure and consideration of broader risks in the current economic landscape. Given the capital strength of Radian Guaranty and the resiliency, financial performance and expected future earnings of our in force mortgage insurance portfolio, we believe that we remain well-positioned to support our businesses and deliver value to our shareholders.

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, I want to highlight that we are pleased with our results and remain focused on executing our strategic plans. We believe our mortgage insurance team is well-positioned to navigate the macroeconomic environment and continue to build the economic value of our insurance portfolio. We remain excited about the future of homegenius based on the market response to our innovative products and services. We continue to strategically manage capital by maintaining strong holding company liquidity and PMIERs cushion, opportunistically repurchasing shares and paying the highest yielding dividend in the industry to stockholders.

We are driving operational excellence across our businesses and are aligning our overall expense structure and resources to reflect the market environment and our strategic priorities. And as I noted last quarter, we are extremely proud of our success over the years in ensuring the American dream of homeownership, and we know we're in a unique position to do even more. Our Affordable Homeownership Initiative is focused on addressing access to affordable, sustainable and equitable homeownership, leveraging our expertise and local partnerships that help address homeownership barriers for people and communities of color.

And finally, I want to thank our team for the outstanding work they are doing each and every day.

Now, operator, we would be happy to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And today's first question will come from the line of Mark DeVries with Barclays. Please, go ahead.

<Q – Mark DeVries – Barclays Capital, Inc.>: Yeah, thanks. Was hoping you could comment on any thoughts you may have on the potential implications for your business of the FHFA's proposed price adjustments for the GSEs?

<A – Derek Brummer – Radian Group Inc.>: Yeah. Thanks, Mark. This is Derek. It's kind of tough to say exactly what the impact's going to be. We certainly support the change. I think it's helpful in terms of focusing on lowering cost for low and moderate income borrowers.

The other thing to keep in mind is it's still our expectation that, at some point, although it's probably a 2023 event that we'd see a reduction on the FHA side. So, it's a little tough to say what the impact would be. I'd say, overall, we don't expect to see a huge impact. The other thing to keep in mind, the FHA market's kind of been a bit reduced in size. So, if we had to estimate it in terms of its – the increase on the MI market, we'd probably estimate it being in the single-digits.

<Q – Mark DeVries – Barclays Capital, Inc.>: Okay. That's helpful. And then, thanks for the comments on what you're seeing in pricing. Just curious, are you adjusting pricing in a manner just to support your target returns across all businesses? Are you selectively increasing pricing in certain areas to try and avoid pockets of risks that you don't want to get?

<A – Derek Brummer – Radian Group Inc.>: Yeah. This is Derek again. So, in terms of pricing, we've been adjusting pricing upward broadly really in Q3 and into October. And so, when we think about pricing, we are really looking at relative value. So, when we look at that, for instance, if we see less relative value, we'll adjust pricing out more. So, as we kind of look at the pricing, we adjust the pricing up more on the below 680 FICO some of the layered risk segments, but certainly taking to account increased macroeconomic uncertainty potential for our home price changes. And so, I would say, generally, what we've seen I think overall in the industry is pretty broad-based changes. Some areas are a bit more than others. I think some moving faster than others. I think we've probably been a bit more aggressive than the market overall in terms of our pricing changes, particularly in the latter-half of Q3. And so, as we think about Q4, we would expect to see a decrease probably in our NIW market share in line with that.

<Q – Mark DeVries – Barclays Capital, Inc.>: Okay. That's really helpful. Thank you.

Operator: Thank you. One moment for our next question. That will come from the line of Doug Harter with Credit Suisse. Please, go ahead.

<Q – Doug Harter – Credit Suisse Securities (USA) LLC>: Thanks. Sticking with pricing, can you just talk about the relative change in pricing that you've made on your policies and how that would compare to kind of the higher costs that you're seeing on ILNs or XOL reinsurance just to kind of get a relative sense of how different parts of the market are pricing in the risk?

<A – Derek Brummer – Radian Group Inc.>: Sure. So, in terms of that, and we've talked about this in the past as we were setting our pricing, we're not factoring in the cost of risk distribution. So, really, the focus in factoring in and our change in terms of macroeconomic view where we see market clearing levels, we're really trying to find the pieces or parts of the market that have the highest relative value in economic value, not factoring in risk distribution.

Now, that being said, certainly, what we've seen on the risk distribution side is a much wider kind of spreads on the ILN market. We haven't seen the traditional reinsurance market kind of price up as much. You're starting to see a little bit of it. And I think from our perspective, certainly, what you've seen on the ILN side and the spread widening is not really warranted but what we view as the fundamentals in terms of the business we're writing and what we're seeing from a market clearing level perspective. And I think that has caused us to certainly not issue in the ILN market recently in light of that. We just see the relative value as being more accretive for us to hold that risk given the market clearing levels that we see. And that's not terribly surprising. We're closer to market so, sometimes, you could see those who are further away from the market, from our perspective, overreact in terms of the way they're repricing the market.

<Q – Doug Harter – Credit Suisse Securities (USA) LLC>: Understood. I appreciate that answer. Thank you.

Operator: Thank you. One moment for our next question. That will come from the line of Bose George with KBW. Please, go ahead.

<Q – Bose George – Keefe, Bruyette & Woods>: Hey, everyone. Good afternoon. So, just wanted to ask a clarification on that servicer reconciliation. Is that just a lag in terms of servicers reporting cancellations to you? And does that just show up as like more cancellations the next quarter?

<A – Derek Brummer – Radian Group Inc.>: In short, the answer to that is yes. Right on point.

<Q – Bose George – Keefe, Bruyette & Woods>: Okay. Okay, great. Thank you. And then, actually switching to leverage, actually leverage and buybacks. So, your debt to capital, it picked up a little more just like 27.5%, which is kind of a little bit above the high-end of your range. So, when we think about buybacks going forward, should we really focus on excess earnings as the driver or does that jump into contingency reserves in 2024 to sort of help the cadence? Or should we really stick more to sort of what GAAP allows you to do or what you're comfortable doing under a GAAP leverage?

<A – Frank Hall – Radian Group Inc.>: Yeah. Bose, this is Frank. On the debt to cap ratio, there are two things that have actually impacted us recently on a go-forward basis or, excuse me, have impacted our current period debt to cap ratio. One is AOCI itself, and that's about 250 basis points of a decrease (sic) [an increase] in debt to cap. And then, the share repurchase is another, call it, 200 basis points. And so, both of those factors have sort of impacted our leverage. One, certainly, we're very comfortable with the amount of share buybacks that we have. The other one we're mindful of, our next maturity is terming out in October of 2024, so we can have an opportunity to delever further there. But in the interim, our equity continues to grow. So, we're very comfortable at the level where we sit today and we're, obviously, very mindful of it in our capital planning altogether. But those are sort of two near-term drivers of why you've seen an uptick in that.

<Q – Bose George – Keefe, Bruyette & Woods>: Okay, great. Thanks.

Operator: Thank you. One moment for our next question. That will come from the line of Mihir Bhatia with Bank of America. Please, go ahead.

<Q – Mihir Bhatia – BofA Securities, Inc.>: Hi. Thank you for taking my questions. I think the first thing I wanted to just check on, wanted to get clarity on what happened with the buyback authorization? I mean, it seems like you have used all of the last one. I'm just kind of surprised that you didn't have another one in place. Is this just a timing thing related to board meetings or something? I'm just a little surprised by that. Any clarity there?

<A – Frank Hall – Radian Group Inc.>: Yeah. Mihir, this is Frank. If you recall, when we put that share repurchase authorization in place, it had a two-year term to it. And I would say that the market conditions relative to the value-based targets and trigger points that we have in our 10b5-1 plan were such that we went through the $400 million very quickly because of the market price.

We're certainly very comfortable with that as a possibility when we put the 10b5-1 plan in place from a shareholder standpoint. It certainly has maximum impact when you're buying back below book value and when you frontend-loaded it, if you will. So, we're comfortable with all that.

I think as you've heard us say in the past, our capital plans are announced at the time when we actually execute on them. So, this is not uncommon for us to exhaust a share repurchase plan and then have some delay before future capital plans and actions are announced. And I would say the landscape, too, now as it relates to just overall capital management is something that we're always very thoughtful about that the economic landscape right now is one that, I think, we want to be perhaps extra careful around. We have an abundance of capital. We have a good line of sight into our capital flows on an ongoing basis. So, we're very comfortable with where we sit. We just want to be very thoughtful and careful, as we always are, with the planned uses for that capital.

<Q – Mihir Bhatia – BofA Securities, Inc.>: Got it.

<A – Rick Thornberry – Radian Group Inc.>: And, Mihir, this is Rick. Also, I think it was good when Frank reminds the audience how many shares we've bought back. So, this year, 11% of our outstanding shares and I think since 2015, Frank, something like 80 million shares, I think, if I remember right?

<A – Frank Hall – Radian Group Inc.>: That's right, yeah.

<Q – Mihir Bhatia – BofA Securities, Inc.>: Got it. No, appreciate that. Thank you.

Operator: Thank you. One moment for our next question. And that will come from the line of Eric Hagen with BTIG. Please, go ahead.

<Q – Eric Hagen – BTIG LLC>: Hey, thanks for taking my question. First one is just how do you think about reserving for credit in this environment based on criteria like debt to income ratio? Like how big of a driver is that relative to other factors at the loan level which drive your decisions for reserving? Thank you.

<A – Frank Hall – Radian Group Inc.>: Yeah. This is Frank. I'll start and then hand it over to Derek. But the reserving that we do, just as a reminder, our reserve estimates are an accounting estimate that we make each quarter based upon current information about the loss content that we expect to see in the delinquent loan portfolios. So, we take into account current views on the economic environment, what we're seeing as far as performance, cure activity, et cetera, historic performance, et cetera, and do our best to look forward into where we think risk factors, which is why highlighted in the prepared remarks that there could be a potential divergence in what you're seeing from current period defaults or more recent production vintages relative to older production vintages simply because of the amount of home price appreciation that's embedded in there. But – so those are all factors that we take into account when we establish our reserves.

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

<A – Derek Brummer – Radian Group Inc.>: I would just add, in terms of kind of the drivers of the reserve, it's much more driven by kind of macroeconomic trends. So, if you kind of think about it, kind of the view in terms of unemployment, home price appreciation, some of those borrower characteristics at origination become less significant in terms of trying to determine the probability a default will roll to claim once a borrower is in default. It's more indicative as to whether they get in default. Once they're in default, then the driver becomes much more in terms of, again, home price appreciation. And reemployment rates are a bit of a bigger driver from a reserving perspective.

<Q – Eric Hagen – BTIG LLC>: Got it. That's helpful detail. Thank you. And looking at some of the more seasoned ILN transactions where the detachment point has risen materially as the capital structure has delevered, maybe you can discuss the flexibility that you have to relever those transactions even against the backdrop of higher costs like you guys have discussed? Appreciate it.

<A – Frank Hall – Radian Group Inc.>: Yeah. Again, I'll start and hand it to Derek for additional color. This is Frank. As we did this period, we were looking at risk distribution at the ILNs in particular. If the attachment points are relatively high and we don't expect to see much benefit from a risk distribution perspective and we're also limited or no longer receiving PMIERs credit for it, it doesn't really serve much purpose for us. So, to the extent that we have the opportunity to unwind those sooner, we'll take advantage of that.

But, Derek, I don't know if you'd add anything?

<A – Derek Brummer – Radian Group Inc.>: I'd just add to that in terms of as you think about relevering, one potential thing parties can do is potentially purchase kind of outstanding positions in terms of the tranches to potentially relever. That hasn't been generally done that much in terms of the market. So, from our perspective, we really are looking at that cost of capital, the probability that those structures actually attach, and then what sort of tail risk they provide in addition what sort of capital relief we're getting to the extent that we analyze that regularly in terms of kind of when we have a call option kick in and if we don't see kind of a return from a cost of capital perspective in terms of keeping the structure in place, we'll actually terminate the structures.

<Q – Eric Hagen – BTIG LLC>: That's helpful detail. Thank you guys very much.

Operator: Thank you. And speakers, I'm showing no further questions in the queue at this time. I would now like to turn the call back over to Mr. Rick Thornberry for any closing remarks.

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

Thank you. Thank you all for joining us today and for your continuing interest in Radian.

I'd like to take a moment to share our thoughts and prayers with all who are dealing with the aftermath of Hurricane Ian. We're all very familiar with some of the tragic destruction that's gone on down there. We want to share our thoughts and prayers with those that are impacted.

And before we close the call, I think many of you are familiar with our annual fundraiser for the MBA Opens Doors Foundation, an incredible organization that shares our mission of enabling and protecting homeownership by helping families with critically ill or injured children to remain in their homes while their children are in treatment. Truly, a special cause that's near and dear to our heart here at Radian and on a personal and professional level. We launched this year's campaign during the MBA Annual Convention. I want to thank all of you who have helped contribute to this outstanding cause.

And just to let you know, we're going to continue to fundraise for this through November 18. So, you can visit radianopensdoors.com if you'd like to learn more. If we didn't have such passion around the cause, I wouldn't share it with you. But we're very excited about it and really enjoy supporting this organization.

So, again, thank you all for joining and I look forward to speaking to you next quarter.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

