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EDITED TRANSCRIPT

RDN - Radian Group Inc at Goldman Sachs Financial Services Conference

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PRESENTATION

Eric Beardsley - *Goldman Sachs - Analyst*

We will be conducting a fireside with S.A. Ibrahim, CEO of Radian. We also have CFO, Bob Quint and Emily Riley, SVP of Investor Relations here.

Radian is one of the largest private mortgage insurers in the US and is poised to benefit from an improving US economy and GSE credit expansion. It also has a run-off bond insurance business, which was discussed potentially selling in the near future. So we'll be conducting a fireside chat probably for 15, 20 minutes and then, we'll be opening up to audience questions. If you could just raise your hand when you have a question and we'll get a mic over to you.

Just to start things off, I was wondering if you could update us on any progress you made in pursuing strategic alternatives for the financial guaranty business.

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

Yes, Eric. And we announced that we are looking at two alternatives with respect to our financial guaranty business. One was monetization and the other was utilizing the capital we have in that business in a manner that we could get PMIERs' credit for because as you know, we won't be -- with the new -- once the new PMIERs' rules go into effect, we won't be getting any credit for the billion dollars of capital we have in there along with the $400 million claims-paying resources.

So the update on the progress we've made is we are very encouraged by the amount of interest different parties have in that business. It confirms our view that it's an attractive asset. And as a benchmark towards the alternative of monetizing it, we have talks on how we can, otherwise, utilize the value in it. So we're pleased with the progress and hopefully, if things develop further, we will inform you of whatever developments anywhere in the near future.

Eric Beardsley - *Goldman Sachs - Analyst*

Great. What are some of the hurdles for selling it? Is there any impact of book value, whether it be selling at discount or what's the impact on the swaps you might have associated with the book?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

In terms of valuation, look -- when you are looking at an alternative way, you get zero credit and the other alternatives are to utilize the value in a way where you are going to have to get approval from various regulatory authorities and the GSEs. You're not going to get full value in either one of those alternatives. So as we look at the trade-offs of all the ways in which we can comply with the new PMIERs requirements, we said we've got three levers we can pull; one is use some or most of the cash we have at Holdco; second is monetize or utilize financial guaranty; and third is use reinsurance.

So, let's look at the trade-off between reinsurance and financial guaranty, and we may end up using all three. And as a result of the first two, we may end up needing less reinsurance than we would have otherwise used. But the reinsurance market today is healthy. We could potentially get all our PMIERs' needs through reinsurance but that affects our EPS down the road in a bigger way than selling the FG business even if that sale is that some kind of a discount.

In terms of benchmarks for valuation of that business, the only benchmark available in the market today is with the one financial guarantor who trades -- who is actively writing business and trading publicly and that's assured. And I think that's roughly probably in the 80% to 85% of book value. That's sort of the benchmark there. So if there was a sale of financial guaranty, it's likely that could involve taking a one-time book value of it, but it should not have a -- as you know, on the other hand, we preserve most of our EPS benefit. And we believe long-term the stock will -- as we continue to return to normalcy, we will trade on our EPS.

Eric Beardsley *- Goldman Sachs - Analyst*

Great. Can you just discuss any -- the dominance you see in the competitive environment? I get a lot of questions on pressure on pricing, and what's your view on the aggregated single premium business that a couple of your peers are doing?

S.A. Ibrahim *- Radian Group Inc. - CEO & Director*

When you have seven competitors in a market which, while attractive, is constrained by the amount of mortgage business being written, mortgage originations, you're bound to see players, particularly newer players who try and find a foothold in the market through competitive pricing. So it is a very competitive market. The competitive factors that drive the business are these different segments of the market, you've got the large banks and large lenders, you've got the large independent vendors, you've got the credit unions, you've got small community banks and the other lenders.

Our Radian has competed in similar market environment in the past before the downturn. So we are used to this kind of competition. We have very solid relationships with lenders, but there is going to be a cost to more competitors in the equation. One of the cost is the fact that if you have existing lenders from whom Radian was getting a very large share of business, while we will still in many of those customers -- for many of those customers given our relationship, get a large share -- we will get a large share from them, they would like most lenders do want to diversify their exposure and having been -- and giving a little -- by giving a little bit of business to somebody else.

On the other hand, the engine of growth Radian has had, which has come from signing up new customers still continues. We signed up about 80 to 100 new customers so far this year, lender customers, but we still do business with about 80% to 85% of the lenders out there, which means looking at the graph out full, there is opportunity to do business with even more lenders. It's just that when you have a larger share to begin with them we had. When we had a smaller share, the impact of that new business we got up would immediately offset any allocation away from us. Now, it's going to take longer, but we are very encouraged by the fact that we continue to sign new customers in.

Coming to your aggregate, those who are aggregating by doing the single premium aggregation business, they are pricing regressively. That is the price, that's a pure price business. And it's a business that we believe does not make sense for us, particularly with the pending PMIERs' requirements putting pressure on ROE through retaining more capital. So all I can say is that when the PMIERs requirements actually come into effect and everybody starts incorporating those requirements into their pricing models hopefully, we may see a different approach for that.

Eric Beardsley *- Goldman Sachs - Analyst*

Great. And I know it's still early days, but what are you hearing from your lender partners on the 97 LTV programs?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

That's news fresh off the print. But if you go back and look at history, in the past we did -- about 4% to 5% of our business was 97 LTVs. Importantly, that business performed from a credit perspective and profitability perspective similar to 95. So, it's a good business. We believe that the actions particularly Fannie's actions will open up that door to us incrementally relative to the FHA and we will be able to compete in that market again. We don't know incrementally how much that opportunity is going to be because some of it may cannibalize that existing 95 business we are doing, because those borrowers will borrow at 97%. However you look at it, it's going to represent an incremental opportunity for us, albeit not a very large opportunity.

There is a lot of pricing and other factors to let play. Hopefully, the actions that have been taken in reducing the LLPAs here will continue on more broadly and open up greater opportunities for making the conventional route, which have been associated with it but borrowers have put down, less than 20% more competitive relative to FHA, but I'm just extrapolating from current actions.

Eric Beardsley - *Goldman Sachs - Analyst*

Got it. And under the PMIERs, would you need to change your pricing on 97s today in order for you to want to write more of that business?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

Our pricing models today at Radian already incorporate PMIERs as it stands. Hopefully, there will be with the extra time that the FHA and the GSEs are taking on PMIERs. There may be positive development of some kind that may actually improve the model a little bit. But even with the existing prices, we believe we are competitive in the -- down to 680 FICO score. Bob, anything you want to add to that?

Bob Quint - *Radian Group Inc. - CFO & EVP*

The existing pricing is producing an acceptable return for 97s on the borrower paid monthly product. As S.A. said, although we are down to the high 600s at this point, the single premium is not quite as much and the lower FICOs wouldn't be acceptable.

Eric Beardsley - *Goldman Sachs - Analyst*

I guess, what's your view on whether any of these changes will actually result in new credit creation and actually spur home sales and associated shifting market share from the FHAs to PMIs?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

It's a very tough market to read because there are number of reasons that's being talked about that represent constraints for new home buyers coming in the market. Some of them have credit histories that have not been entirely repaired. There are -- some carry existing student loans debt or other factors, but -- on the margin, there could be some buyers who were not able to access Fannie/Freddie loans who will be able to do so.

But what's more encouraging beyond this specific action we are talking about is this signals a commitment on the part of Director Mel Watt to open up the market to find a way for new homebuyers to come into the market, maybe the beginning of other actions that we will take to bring those buyers in because what we keep hearing from Washington, particularly from treasury, which has -- which pulled together people from the industry recently. We were one of the participants in that. I think we were the only MI participant in that where treasury is not talking about how to open up the credit markets to allow more homebuyers to come in. There is a high degree of concern in Washington as to why that has not happened yet, along with the concern of why the private label market hasn't taken off. These are the two big things we hear about, how do you open up the housing market to more borrowers and how do you open up the private label markets.

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Eric Beardsley - *Goldman Sachs - Analyst*

Maybe if you could just talk a little bit about where you see NIW going towards the industry next year and what's your outlook?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

Overall the projections, if you average out the NBA, Fannie, Freddie, Fed, are roughly flat market this year to next year. About $1.1 trillion this year is going to come in, maybe a shade above that, but still rounding to $1.1 trillion. So $1.1 trillion market is roughly a flat market. So the only drivers of NIW in a flat market will be the mix change between refis and purchases.

Last year, we had very encouraging estimates of shift from refi to purchases. This year again, the forecast is for meaningful not as large entrees from refis to purchases. Purchase borrowers tend to be -- to have a higher penetration for MI products. So we could see maybe slight benefit and maybe if there is any FHA pickup, but we would say slight to -- flat to slightly better in terms of Radian itself. We started the year saying that we would do $40 billion. The market forecast was -- the market came in at well below the forecast. Now, we've been saying and we still believe we are going to come in between $35 billion and $40 billion, which is slightly less than when we started out the year. And we think more or less we will be -- we expect to be within that range next year.

Eric Beardsley - *Goldman Sachs - Analyst*

Great. I guess just back to PMIERs, how much, I guess, pressure do you feel to get ahead of the rules and actually comply prior to your implementation period is over?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

We don't feel any pressure from our existing customers. They -- I think for the most part, they just looked at whether we are GSE eligible to do or not, and that's how they deal with the MI companies. Internally though, we have a preference towards complying with them sooner than later, closer to the effective date. Part of it is because we want to get that out of the way and focus on continuing to get business from the customers that they are not doing business with. We think on the margin, for the customers that -- for the lenders with whom we are not doing business with today, it may on the margin be an issue. If you are already inside the door, you are in the door, but to get into the door, that maybe -- it may have a little bit more varying. And there is still particularly even among the Top 10 lenders, maybe there is about half of them we don't do business with today, which represents an opportunity going forward.

The things we can do to get ahead of PMIERs though certainly based on everything that you're hearing, even with the delay in Washington looks like they are being very thoughtful, they are looking at number of ideas based on the dialog we are having with them. Some of those ideas include portions of the legacy book in terms of -- some of them include treatment of premiums. We haven't heard anything about them in terms of sub-capital, which suggests that there is very low probability they will revisit the sub-capital issue. So that's the area we are focusing on getting ahead of PMIERs in terms of addressing whatever gap we have after those issues that needs to be directed through reinsurance. We want to wait until the greater clarity and finalization of PMIERs' requirements, because we are not even sure where it makes sense to get reinsurance. There may be some segments of our portfolio that's got disproportionate the harsh PMIERs treatment relative to the market perception of valuation of the risk inherent in those -- in that segment where they may be a natural arb from a reinsurance perspective as well as better understanding of what reinsurance rules will be acceptable under PMIERs. Bob, you want to add to that?

Bob Quint - *Radian Group Inc. - CFO & EVP*

No. It probably makes sense.

Eric Beardsley - *Goldman Sachs - Analyst*

Just on the reinsurance, do you think it's possible to do delinquent reinsurance today cost effectively that would actually be a better half than doing unclean new loans?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

We will look at all of those alternatives. Now, we keep getting -- even though we're not actively at this point looking at reinsurance alternatives, there is a lot of interest. So we get calls and Bob takes most of them. So, I will let him.

Bob Quint - *Radian Group Inc. - CFO & EVP*

Yes. Well, you would -- a couple of years ago, you would never have considered the possibility of reinsuring delinquent loan. I think it is a possibility today we have greater certainty around our loss reserves because we have more experience over the downturn and what has happened with these loans, and the PMIERs charges, capital charges for delinquent loans are very, very high. So there might be a way to purchase reinsurance effectively on delinquent loans. And as S.A. said as well, legacy loans and I would say every part of our portfolios open to potential reinsurance opportunities. And once the rules are finalized, we can really hone in on where we think the cost effectiveness and the most efficient way to buy our reinsurance. If we need to, we will be.

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

And then if you put yourselves in my shoes and say, one of the things I'm always thinking about how do we make the power of Radian shine through. One of the ways we can do it more effectively is taking -- is reducing the element of the legacy that's still on our books now. Naturally, it's coming down as the legacy exposure keeps shrinking, but to the extent that we have alternatives that make sense from a PMIERs' perspective, the legacy book, including legacy [deep walls] would be an attractive area because assuming their success on the monetization of financial guaranty, that's one part of the legacy and then, this is another part of the legacy. And if we don't have legacy given the size of our franchise, given the strength of the earnings shining through based on what we've already done, there is multiples out there of companies that have no legacy that are attractive to us as we look at where we should steer the company.

Eric Beardsley - *Goldman Sachs - Analyst*

And just lastly on PMIERs from me, can you discuss how you think about an appropriate capital buffer above the minimum requirement?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

At this point, we haven't focused on a capital buffer. It will naturally be created as you extrapolate from a combination of the earnings power to new book of business we have written, the shrinking of the legacy power, the portion that we just talked about because that's what PMIERs are most onerous, and it would create a natural buffer. If you look at what would require us to keep some kind of a buffer, it's driven primarily by the fact that you need to have enough of a buffer for the new business you anticipate writing, but we have got so much old business running off that we have to think through what the dynamics of -- the PMIERs capital release from the old business is running off. It would be far greater than the new business that we are likely to add. Bob, do you want to --

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Bob Quint - *Radian Group Inc. - CFO & EVP*

Current expectations or the time works for us, and we are accreting PMIERs' assets over time. So on day one, it wouldn't make a lot of sense to have a target of 120% of the requirement, which would cost much more. So that's our current -- our current thinking is if we meet the requirements early on, that's our goal and beyond that, there is a likelihood based on current expectations that we are going to be higher than that from our earnings and cash flow.

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

So, given that we naturally create that buffer as things go along. If we were a pure-play non-legacy player that didn't have a run-off of a legacy book that's going to free up PMIERs' capital, we would think more in times of having a buffer to accommodate the new business. But we are creating our own buffer as we go along.

Eric Beardsley - *Goldman Sachs - Analyst*

Got it. As you look out, I guess, a few years down the road, if there were an opportunity to do shareholder returns, could you take on additional leverage if you needed to see more cash down in the MI subsidiary, if you had to keep a higher buffer than you might otherwise have?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

We'll revisit those few years. We'll get to, but certainly we have a lot of opportunities as -- if you just look at the deduction of the drag from the legacy book in terms of the power it has, in terms of earnings and capital accretion, we could have capital over and above the buffer that we may need at that time, and we will figure out what's the best value that we can deliver to our shareholders through that.

One of the things that has been very important to us throughout the downturn is that we focused relentlessly on what we believe to be -- we believe it was going to be our future, the ideal driver for our shareholders, which is EPS. And we focused both on the numerator and denominator. And I believe we had done a great job on the numerator side in terms of writing the lion's share of the profitable book of business from 2009 onwards, and that builds in a natural earnings stream. We also were very thoughtful and deliberate in terms of the way we managed the denominator by being very creative in looking at alternatives to issuing equity such as utilizing the financial guaranty book of business. And we are better off for having done that. Now that we can't do it anymore, we are still looking at how to create -- to comply with PMIERs in a manner that still primarily allows us to focus on the EPS going forward.

Eric Beardsley - *Goldman Sachs - Analyst*

Great. Now, I'll turn over to the audience. If you have a question, just raise your hand and we'll allow the mic to come around.

QUESTIONS AND ANSWERS

Unidentified Audience Member

What is your -- what do you think the likelihood of the LLPAs that will be adjusted and do you think that any announcement there would come in conjunction with the final PMIERs or is that separate perhaps?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

It's hard to forecast the timing of these things, because -- and whether it would happen or not, all I can say is that, as I talk to players in the lender community, more so than us, there is a view that to some extent, the LLPAs and other pricing actions on the part of the GSEs were to compensate for what they believe was the great risk they were taking in terms of their counterparty exposure to MIs. If that risk is gone with PMIERs being implemented and they are not taking anymore -- they don't have any more counterparty risk steps, in theory, there is no justification for them not reducing the LLPAs. Whether they do it or not, it remains to be seen, but just as we have to comply with the PMIERs' requirements to de-risk them, we believe they have to then act in accordance with the benefit they get from us meeting those PMIERs requirements. Bob?

Bob Quint - *Radian Group Inc. - CFO & EVP*

It makes sense. It certainly seems like those fees, the guarantee fees and the LLPAs can be reduced, which would make the product more attractive and bring more business to the industry. As S.A. said, we don't know exactly what's out there, but there is certainly room to do it and it makes sense to do it in light of the strengthening of the capital in our industry.

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

And we believe that Director Watt is placing a high degree of priority on the size of the housing market and being -- and bringing more borrowers and homebuyers into the equation.

Unidentified Audience Member

Good morning. With final PMIERs potentially coming out in March, should we think of a certain time frame that you guys want to have a conclusion reached by it with respect to financial guaranty?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

Given the fact that there is a very low likelihood of the sub-capital issue -- getting relief on the sub-capital issue, whenever the PMIERs requirements come out, that is on a cycle that's completely independent at this point when the PMIERs will come out. So if we find an opportunity for monetizing the financial guaranty business, sooner than that, we will certainly let you know as soon as that happens. But the point I'm trying to make is it's not dependent on the PMIERs' cycle. It could happen sooner.

Eric Beardsley - *Goldman Sachs - Analyst*

A question on market share. I mean I guess flattish market, how do you compete for market share for the purchase market?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

The way we compete for market share is first, relationships. We've got pretty solid relationships, which even after a number of new players coming in the equation, while some of them may have reallocated, some of the business (inaudible) still give us the lion's share of the business. So we need to continue to be sensitive to employ value to those relationships. Those are long-term relationships. The second way we compete is going after new customers, which is something I just talked about and continuing to have that focus. We have a bifurcated sales force. One, each of our sales force is strictly focused on bringing on new customers. The other is focused on getting business from existing customers. And then finally, we are just starting in the very, very early days of competing based on delivering higher value to our customers. And I don't want to make a lot of one success we've achieved so far in that regard, but obviously more success starts from one success. And as you know, we signed this deal with the National Association of Hispanic Real Estate Professionals (NAHREP). And as a result of which, for a lender bank in the southeastern part of the US, which is looking at ways of addressing the Hispanic borrowing markets, we've got a meaningful higher allocation in the amount of business they are giving us. Now, can we leverage that and do more from it? Obviously, we'd like to. Can we leverage that Clayton relationship and do more? Yes, we'd like to. So in addition to competing in the conventional form and on top of that providing best-in-class training and other opportunities, we want to complete by delivering some of those additional services and continue to go after new customers. Particularly the Hispanic market, 40% of future homebuyers are expected to be of Hispanic origin.

Eric Beardsley - *Goldman Sachs - Analyst*

S.A., I wanted to talk about the 680 to 700 FICO bucket, which is kind of the marginal bucket where you guys are more affordable than FHA. How much business are you writing there? How much would this split between you guys versus FHA, and how much you think it would be impacted? So, how much if you -- your LLPA drops 25 bps in line with the 97s, you get maybe 50% more affordable you guys versus FHA. So, can you just give me some color on that? And then secondly, did you guys recaptured the reinsurance this month that you previously mentioned?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

Bob, do you want to answer?

Bob Quint - *Radian Group Inc. - CFO & EVP*

Yes. The 680 business is a much smaller part of our business today than historical level. So it's certainly the area when we talk about the opportunity of getting business from FHA and bringing it back to our industry in a place where it's better for the borrower, that's what we're talking about. So on the opportunities there, we don't think we'll get back to the levels that we were at during our [hike] because there are some business there that we just won't accept from an underwriting standpoint, but that's where the opportunity is. And it's still -- even if it comes over the business, it's still going to be predominantly over 700. That's where most of our business is, but that's where the opportunity is for us. So we are certainly trying to educate the lenders on it. We are trying to drive that business somewhat. Now, you probably don't want too much of your business in that level because it's a riskier loan. It's certainly acceptable from an underwriting standpoint, but it's not -- it's not where you want your average FICO to be. We like our average FICO well above 700. It's been 740, 750, which is historically very, very high. But if it goes down a little bit because we are doing more in the 680s or 700, I think that's acceptable and it will help us grow a little bit more.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Bob Quint - *Radian Group Inc. - CFO & EVP*

Below 700, I don't know the exact number. It's not very high right now. I'm going to say it's probably in the teens right now. It was likely as much as a third but those are guesses that I'm making, but I think we can certainly drive that up a little bit higher. With respect to the claw back that we have the ability to do, we haven't yet made up our minds on that. We will likely have an answer by year-end and we will either decide to claw back or do something else that would benefit Radian by not clawing back.

Eric Beardsley - *Goldman Sachs - Analyst*

Just in terms of, I guess, credit, what you're seeing, you recently reduced your ultimate claim rate expectations for new notices. How much more upside could we see there and I guess, how quickly?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

The economy continues to improve. The legacy book runs off. We are seeing new deep walls come down on the legacy book, but on the newer books they are very low, although the newer book hasn't fully developed, but we expect them to be much lower. And then, there is the book that already exists that's much profitable but we can't forecast that. Bob, I guess, will add more color.

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Bob Quint - *Radian Group Inc. - CFO & EVP*

Yes, we -- I think what Eric is referring to is we took our ultimate claim rate expectations on brand new defaults down from the 20% level to the 17% level, and that's because of the experience we've been seeing improving throughout the last few years. There is upside there. Clearly, that's still higher than historic levels. So we can see -- if we continue to see trends that are good with respect to that, it could come down into the lower teens certainly.

Eric Beardsley - *Goldman Sachs - Analyst*

And where would you expect the new business to actually come in if you were to say 10% might have been historic norms, are your newer books potentially better than that?

Bob Quint - *Radian Group Inc. - CFO & EVP*

They could be. It's very hard to -- it's hard to say. What we know about the newer books is that the frequency expectations of those is very, very low. So why is that because the credit is so good. Frequency expectations are down between 1% and 2%, which are very, very low. However, when a loan becomes delinquent, it's going to be infrequent. We're expecting that. What are the chances that it becomes a claim? I don't think we have that clarity yet and we'll have to develop the experience over time. Thankfully, we don't have a lot of experience because not many loans have gone into default. So we'll have to observe it and see it. But I think it's really good news regardless that the frequency is so low and I think the expected claim expectation is coming down and that shouldn't change.

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

And if you look at the 2009, 2010, 2011, 2012 books, particularly 2010, 2011, 2012 books, they've been written at a time when credit was so tight and home prices have been going up. It's a very unusually positive environment for us.

Eric Beardsley - *Goldman Sachs - Analyst*

Okay. And then just lastly on the Clayton acquisition, if you could share any updates of what progress you're seeing on cross-selling opportunities?

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

So if we look back at the Clayton acquisition, first off on a pure stand-alone basis, it's a company that has been doing well. Second, while it's making money and delivering an acceptable return on a normal basis, it's a company that stands to benefit significantly when the private label market comes back. Historically, they used to do about -- I think the requirement by rating agencies was maybe a 15% sampling on due diligence. We expect that the early return of the private label market to be 100%, maybe 50% as it settles down after first few years. So, certainly much bigger opportunities albeit can lower [adjusted] downwards by the size of the private label market initially.

Now, on top of that, we have these cross-sell and other opportunities. On the cross-sell side, we are in the very early stages of cross-sell. We have had some small single-digit successes in very, very early days of cross-sell opportunities. We have interest in perhaps somewhere between 50 and 100 customers who have expressed an interest in those opportunities. We've got to develop a conversion track record, find the secret to sell -- cross-sell more of those opportunities and then keep pushing it. So we are encouraged by the very early success. We've got to find the pattern and exploit. And then the other opportunity, which is sort of near term, is taking the business that we've been giving to other vendors and transferring it to Clayton, sort of, keeping that revenue in the family. And beyond that more complicated is taking work that is done within Radian Guaranty and transferring it to Clayton, if Clayton can do it more efficiently because of their geography and because of their mix of full-time/part-time. So, there's a number of engines at play there at a different time.

Eric Beardsley - *Goldman Sachs - Analyst*

Great. Well, thank you.

S.A. Ibrahim - *Radian Group Inc. - CEO & Director*

Thank you.