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# Radian Group Inc. (RDN)

## Q4 2021 Earnings Call

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning, and welcome to Radian's Fourth Quarter 2021 Earnings Call. My name is Brandon, and I'll be your operator for today. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions]

Please note this conference is being recorded. I will not turn it over to John Damian. And John, you may begin.

## John Damian
*Senior Vice President-Investor Relations and Corporate Development, Radian Group Inc.*

Thank you, and welcome to Radian's fourth quarter and year-end 2021 conference call. Our press release which contains Radian's financial results for the quarter and year-end 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.

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, President of Radian Mortgage. As all of our speakers are remote today, please excuse any sound quality or technical issues that may arise during the call. 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 2020 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, John, and good morning. Thank you all for joining us today and for your interest in Radian. In 2021, we remain focused across our three areas of strategic value creation. First, growing the economic value and future earnings of our mortgage insurance portfolio. In 2021, we wrote the second highest level of mortgage insurance business in our nearly 45-year history.

Second, growing our homegenius business. In 2021, we greatly increased homegenius revenues consistent with our Investor Day guidance, and third, managing our capital resources. In 2021, we returned significant capital to our stockholders through a combination of an increased dividend and share repurchases.

These results and our continued strong momentum demonstrate the strength and resiliency of our business model. I believe we are well-positioned to capitalize on the opportunities ahead through our mortgage and homegenius businesses, combined with the strength of our capital resources. As we've all developed a renewed appreciation for the meaning of home over the past two years, our mortgage and real estate products and services have become even more valuable to our customers, and the homeowners, and our mission to ensure affordable, sustainable, and equitable home ownership has become even more critical.

We are proud to serve such an important role in the housing industry. I'd like to take a moment to recognize our talented team who continue to support our customers, launch new products and create new technologies to make doing business faster and easier and to thank our customers, business partners, investors, and board for their support in helping us deliver such excellent results in 2021.

Frank will discuss the details of our financial position shortly but let me first share a few highlights for the quarter and the year. In our mortgage segment, we wrote $92 billion of the NIW in 2021 which, as I previously mentioned, represents one of the highest years of annual volume in our company's history, second only to the all-time record we hit in 2020.

And it's worth noting that with the higher mix of purchase business in 2021, we actually deployed more capital than we did in 2020. And based on a growing purchase market, we expect the environment to continue to provide strong opportunities to put our capital to work at attractive returns. Over the past couple of years, we believe our ability to leverage the strength of our proprietary analytics and Radar Rates platform and utilize artificial intelligence and machine learning in order to optimize economic value has been and continues to be a differentiator for Radian.

We assess more than 10 million unique loan types as we look at all combinations of loan and borrower characteristics, as well as geographic housing market trends, to identify those loans that will create the most economic value and generate the most attractive returns.

Our primary insurance in force, which is the main driver of future earnings for our company, was $246 billion at year-end. While our portfolio was relatively flat year-over-year, it is important to note that insurance in force grew at an annualized rate of 7% during the second half of 2021. This growth was driven by continued high levels of new mortgage insurance business, as well as an increase in persistency. It's also important to note that our mortgage insurance portfolio is well-positioned for a rising rate environment. Our monthly premium in force portfolio grew nearly 6% year-over-year, while our single premium in force portfolio declined 21%.

Of note during the quarter was a favorable reserve development based on better-than-expected cure activity. In fact, despite the seasonal increase in new defaults that we typically experience in the fourth quarter, we saw another positive cure-to-new-default ratio. We have been pleased with how the credit performance of our portfolio continues to improve.

In terms of those borrowers in default, we are actively monitoring and communicating with servicers and supporting efforts by the GSEs to effectively navigate a successful resolution. For our homegenius segment, total revenues for the full year were $149 million, a 45% increase compared to 2020, and as I mentioned, consistent with our 2021 Investor Day guidance.

During 2021, we saw strong growth in our title business which represented a 73% increase year-over-year. Also in 2021, we saw very strong performance across our real estate services, our asset management and valuation products and services despite minimal foreclosure and REO activity. As we had discussed during 2021, we invested in the development of our homegenius software-as-a-service platforms for real estate agents, and we are positioned to launch these innovative platforms in 2022.

First up is geniusprice which is an innovative property intelligence technology platform offered by our Red Bell Real Estate brokerage. And we are attracting a strong sales pipeline of interested real estate brokers.

We have also invested in and launched our innovative digital purchased title platform, titlegenius, leveraging patent-pending blockchain technology. This platform is focused on transforming the purchase title process for real estate agents, homebuyers and lenders. As we enter 2022, we are focused on growing our penetration of the purchase title market, leveraging this digital platform.

Frank will provide additional details on our homegenius financial results and expectations for this business. We are pleased with the progress, the traction we are gaining in the market, and the new customers we're attracting with our innovative products and services.

During 2021, we continue to strengthen our capital and liquidity profile while enhancing financial flexibility and returning value to stockholders. We grew our book value per share by 9% year-over-year in 2021. We achieved this growth even after accounting for the $104 million of dividends paid in 2021.

We repurchased 17.8 million shares of Radian Group common stock, representing 9.3% of shares outstanding at year-end 2020, at a total cost of $399 million. Our return on equity for 2021 was 14.1%.

At December 31, Radian Group maintained a strong capital position with $880 million of total holding company liquidity, and Radian Guaranty's PMIERs Excess Available Assets grew 19% from the third quarter of 2021 to more than $2 billion during the fourth quarter of 2021.

Earlier this month, we announced plans to continue returning capital to our stockholders by increasing our quarterly dividend by 43% – the second increase in the past year – and by authorizing a new $400 million share repurchase program. We were able to do this based on our strong capital position and financial flexibility.

Moving now to the broader mortgage and real estate market, we continue to see this market performing well with strong purchase volume and continuing home price appreciation. Based on December data from our own Radian Home Price Index, continued strong housing demand and relatively limited supply in the market led to a 14.2% year-over-year increase in home prices across the country. We do expect home price appreciation to moderate in 2022.

Looking ahead, total mortgage originations for 2022 are estimated to be approximately $3 trillion, reflecting an 8% increase in purchase originations and a 58% decrease in refinance activity. This growth in the purchase market is positive for the mortgage insurance industry and is expected to result in another large private MI market in 2022 of $500 billion to $550 billion.

We will continue to monitor our operating environment, including the impact from inflation and a rise in interest rates on our business. It is important to note that although affordability declines as rates go up, mortgage rates remain relatively low on historical terms, and we believe the strong demand and low supply dynamic in the housing market will balance any decline in affordability.

It's also important to highlight that the expected increase in interest rates in 2022 is likely to result in improved persistency in our mortgage insurance, in-force portfolio, as well as support higher yields on our investment portfolio. Overall, we believe the macroeconomic conditions and strong home purchase market provide strong tailwinds for long-term growth in the economic value projected future earnings of our mortgage insurance portfolio.

Turning to the regulatory and legislative landscape, housing policy efforts in Washington continue to focus on equitable access to sustainable homeownership, particularly for underserved markets. We remain committed to working with the FHFA, the GSEs, our trade associations and other partners on solutions to support increased access to affordable homeownership for low and moderate income borrowers.

We delivered on our core mission in 2021, helping to ensure that borrowers ready to own a home could afford to do so. During the year, we helped nearly 300,000 families buy a home or lower their monthly mortgage payment through refinance. With subject matter expertise across various areas of housing finance, we believe we are well-positioned to play an important role in expanding affordable, sustainable and equitable homeownership.

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 morning, everyone. To recap our financial results issued last evening, we reported GAAP net income of $193.4 million or $1.07 per diluted share for the fourth quarter of 2021, as compared to $0.67 per diluted share in the third quarter of 2021 and $0.76 per diluted share in the fourth quarter of 2020. Adjusted diluted net operating income was $1.07 per share in the fourth quarter of 2021, compared to $0.67 in the third quarter of 2021 and $0.69 in the fourth quarter of 2020.

I'll now turn to the key drivers of our revenue. Our new insurance written was $23.7 billion during the quarter compared to $26.6 billion in the third quarter of 2021, and $29.8 billion in the fourth quarter of 2020.

New insurance written for purchase transactions was $21.6 billion, an increase of 12% year-over-year. Purchase volume accounted for 91% of our total new insurance written for the fourth quarter of 2021, compared to 65% in the fourth quarter of 2020.

Our reported quarterly annualized persistency rate increased to 71.7% this quarter, compared to 60.4% a year ago. Market expectations of rising interest rates in 2022 are expected to result in continued declines in refinance activity, which we would expect to drive further increases in our portfolio persistency and support insurance in force growth.

Today, more than 65% of our insurance in force consists of business written in 2020 and 2021 and is of high quality and at relatively low mortgage rates. Primary insurance in force increased $4.4 billion during the quarter to $246 billion. Our outlook for 2022 insurance in force growth, given expected higher persistency and strong NIW volume is approximately 10%.

Total net premiums earned were $261.4 million in the fourth quarter of 2021 compared to $249.1 million in the third quarter of 2021 and $302.1 million in the fourth quarter of 2020. The increase on a linked quarter basis is primarily driven by an increase in profit commissions recognized this quarter due to lower ceded incurred losses. In addition, there were several small items that drove a positive impact of approximately $5.5 million in mortgage insurance earned premiums this quarter compared to prior quarter. These items included a reduction in our premium refund estimate due to lower-projected claims and an increase in our deferred premium receivable estimate.

The decline in quarterly net premiums earned year-over-year was due primarily to lower single premium policy cancellations. Webcast slide 11 shows the mortgage insurance premium yields trend over the past five quarters. Our direct in force premium yield was 41.0 basis points this quarter, compared to 40.3 basis points last quarter and 42.8 basis points in the fourth quarter of 2020.

It is important to note that the in force premium yield would have declined slightly this quarter to 40.1 basis points absent the $5.5 million of adjustments noted earlier. Over the past several years, we have noted our expectations for declines in our in force premium yield due to a number of factors, including the pricing and credit mix of new insurance written compared to the policies canceling within our portfolio.

Based on the mix of more recent vintages in our portfolio, coupled with increased persistency, we currently expect in force premium yield declines in 2022 of approximately 2 basis points, which is a slower rate of decline than we have seen recently. And net premium yield is affected by single premium acceleration and the impact of reinsurance, which may continue to fluctuate from period to period. All in all, even at the expected lower yields, we are still generating attractive risk adjusted returns. Our homegenius segment revenues were $44.7 million for the fourth quarter of 2021 compared to $45.1 million for the third quarter and $23.6 million in the fourth quarter of 2020, which is a 90% increase year-over-year.

Title premiums of $11.8 million in the fourth quarter of 2021 were 55% higher than the fourth quarter of 2020. Our reported homegenius pre-tax operating income before allocated corporate operating expenses was $2.7 million for the fourth quarter of 2021 compared to a loss of $600,000 for the third quarter of 2021. Our reported homegenius adjusted gross profit for the fourth quarter of 2021 was $19.7 million compared to $17.9 million for the third quarter of 2021. A reconciliation to the comparable GAAP measures can be found on press release Exhibit G.

Our homegenius results were in line with our projected targets as communicated earlier in 2021 with revenue of $149 million for the full year. Our current expectation for 2022 is that we would be within our previously stated target revenue range of $225 million to $275 million, although likely at the lower end of that range.

Moving now to our loss provision and credit quality, as noted on webcast slide 14, we had a benefit of $46.5 million in our mortgage provision for losses for the fourth quarter of 2021 compared to losses of $16.8 million in the third quarter of 2021 and $56.3 million in the fourth quarter of 2020.

Also, as noted on webcast slide 14, the provision for losses for the fourth quarter 2021 includes positive reserve development on prior period defaults of $85.8 million. This positive development was primarily driven by more favorable trends in cures than originally estimated, aided by favorable outcomes resulting from forbearance programs implemented in response to the COVID-19 pandemic, as well as positive trends in home price appreciation, which resulted in a reduction in ultimate claim assumptions related to prior period defaults.

We maintained our prior quarter assumptions for new defaults reported in 2021, including the default to claim rate assumption on new defaults at 8.0% for the fourth quarter of 2021. We continue to closely monitor the trends in cures and claims for our default inventory, including the resolution of COVID-related forbearance programs. As of December 31, 2021, 92% of new defaults from the second quarter of 2020, the largest COVID-related default quarter, had cured. These favorable trends for defaults reported in 2020 were the primary catalyst for the positive reserve development reported this quarter.

Now turning to expenses. Other operating expenses were $80.5 million in the fourth quarter of 2021, a decrease compared to $86.5 million in the third quarter of 2021 and $81.6 million in the fourth quarter of 2020. The decrease in other operating expenses as compared to the prior quarter is primarily related to a decrease in incentive compensation expense, including long-term share-based incentive compensation. The decrease compared to prior year is primarily related to a $7.8 million decrease in non-operating items, partially offset by a $5.6 million decrease in ceding commissions associated with lower single premium acceleration. To aid in the analysis of our operating expenses, we have provided new segment level expense detail on press release Exhibit E.

Now moving to capital and available liquidity. Radian Guaranty's excess PMIERs available assets over minimum required assets was $2.1 billion as of the end of the fourth quarter, which represents a 62% PMIERs cushion. After consideration of our recent $500 million return of capital from Radian Guaranty in the first quarter of this year, our pro forma year-end 2021 cushion would have been 47%. I'll speak more about the return of capital in a few moments.

As of December 31, 2021, we have reduced Radian Guaranty's PMIERs minimum required asset requirements by $1.3 billion by distributing risk through both insurance-linked notes reinsurance and other third party reinsurance arrangements, as noted on press release Exhibit L. As of year-end 2021, Radian Guaranty had risk distribution covering approximately 73% of our risk in force.

For Radian Group, as of December 31, 2021, we maintained $605 million of available liquidity, and considering our recent $500 million return of capital on a pro forma basis, available liquidity would have been approximately $1.1 billion. Our liquidity in the fourth quarter was impacted by share repurchase activity in the quarter. Total liquidity, which includes the company's new five-year $275 million credit facility that was signed in the fourth quarter, was $880 million as of December 31, 2021. And on a pro forma basis, after giving consideration to the $500 million capital return, would have been approximately $1.4 billion.

During the fourth quarter of 2021, we repurchased 6.4 million shares and for the full year 2021, we purchased 17.8 million shares at an average share price of $22.23 and $22.48, respectively. As previously announced earlier this month, our board approved a new two-year $400 million share repurchase authorization that we expect to implement by utilizing our customary value-based 10b5-1 execution.

We have also continued to pay a dividend to common stockholders through the pandemic. During the fourth quarter of 2021, we returned approximately $26 million to stockholders through dividends. And as a result of our continued financial strength and flexibility, we have announced a 43% increase to our quarterly dividend in the first quarter of this year, which brings our current quarterly dividend to $0.20 per share. As a reminder, we had most recently increased our quarterly dividend by 12% less than a year ago during the second quarter of 2021.

The combination of dividend payments and share repurchase in 2021 represented a return of capital of approximately 84% of our after tax operating income for the year. These capital actions are supported by our confidence in the future cash flows of our business and are enhanced further by the $500 million return of capital from Radian Guaranty to Radian Group approved by the Pennsylvania Insurance Department earlier this month.

Our state regulatory capital levels have been a constraint on movements of capital, from Radian Guaranty to the parent company since the Great Financial Crisis. This has been due primarily to the negative statutory unassigned funds created during the Great Financial Crisis and the contingency reserve requirements applicable to mortgage insurers.

The mechanics of the statutory capital flows and the rules applicable to each type of capital are unique to the mortgage insurance industry as we explained in detail during our Investor Day in 2019 and as presented on webcast slide 20. Part of the state regulatory capital framework includes contingency reserves that are intended to protect policyholders against the cyclicality of the mortgage industry credit cycles.

The reason why this is so important to understand is that when contingency reserves are released on their 10-year anniversary on a first-in, first-out basis, it increases the regulatory capital category of unassigned funds. When unassigned funds turn positive, Radian Guaranty can begin paying ordinary dividends without prior regulatory approval. The amount of ordinary dividends available for issuance could be up to the prior year's net income, which if paid based on current analyst consensus net income levels would be approximately $500 million annually.

Assuming the continuation of the current positive trends in our mortgage insurance business, we expect this transition from negative to positive unassigned funds to occur in 2024, which coincides with the expected timing of material contingency reserve releases that same year, 10 years after we began to rebuild these reserves following the Great Financial Crisis, which is also noted on the webcast slide 20.

Suffice it to say that we are approaching an important inflection point with our capital flexibility, potentially providing capital releases from the operating company to the parent company on an ordinary basis and without seeking prior regulatory approval. As such, we have calibrated our current capital plans to create a near-term bridge in anticipation of these expected events. Given the capital strength at Radian Guaranty and the financial flexibility provided by our available liquidity at Radian Group, we believe that we are 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, let me remind you that our team delivered excellent results in 2021 focused on growing our mortgage and homegenius businesses and managing capital. We wrote high levels of new mortgage insurance business while growing homegenius revenues significantly.

The credit performance of our portfolio continued to improve. During 2021, we continued our long-standing track record of prudently managing capital, returning over $500 million to stockholders through dividends and share repurchases. We increased our quarterly dividend this month, which provides the highest dividend yield in the private MI industry, and we announced the new $400 million share repurchase authorization. We are pleased with our business momentum heading into 2022. And we will continue to leverage the strength of our team and utilize data, analytics, and technology to differentiate ourselves from the competition and help our customers succeed in a fast-moving digital market.

Now, operator, we would like to take questions.

# QUESTION AND ANSWER SECTION

**Operator**: Thank you. And we'll now begin the question-and-answer session. [Operator Instructions] And from Barclays, we have Mark DeVries. Please go ahead.

### Mark C. DeVries

*Analyst, Barclays Capital, Inc.*

Q

Yeah. First question is just to clarify one on Frank's comments around the premium yield. Frank, is the roughly 2 bps of additional compression you kind of guided to for this year, is that off of the 40.1 bps you would have had without that $5 million of adjustments or is that off of the 41 or so you actually posted this quarter?

### J. Franklin Hall

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

A

Yeah. So the adjustments are off of the reported 41.

### Mark C. DeVries

*Analyst, Barclays Capital, Inc.*

Q

Okay. Got it.

### J. Franklin Hall

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

A

41.0 taking it – I'm sorry there's a lot of 40s and 1s there. Taking it from 41 down to 40.1.

### Mark C. DeVries

*Analyst, Barclays Capital, Inc.*

Q

Yes. No, my question is, but then I think you guided correct to maybe another 2 basis points of additional pressure. Is it off that 40.1?

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

A

Correct.

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**Mark C. DeVries**
*Analyst, Barclays Capital, Inc.*

Q

Okay. Got it. Got it. And then my second question is trying to get at kind of the impact on the addressable market for MI, of all the home price appreciation we've seen. If I heard Rick's comments, probably I think you indicated that HPA was roughly 14.2% for your book, and I think the FHFA used 19% to kind of reset the conforming loan limits. Does that kind of imply that MI tends to get deeper penetration in markets that have seen less home price appreciation and therefore kind of moving that bar up nationally actually increases the addressable market for you?

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

A

Yeah. Thank you, Mark. I think our reference was to our Radian Home Price Index, which was a year-over-year increase, and the FHFA I think was an annualized number, if I remember correctly. So we're really referencing not our MI portfolio but our view based upon literally millions of observations across the country of transactions around our view of the national home price appreciation year-over-year, right? So that's, I think, maybe a little bit of apples and oranges, but that does not reflect on the MI portfolio specifically.

But I would say, we – I think the MI portfolio has participated in that whole price appreciation, as we discussed previously about the percent of equity in the homes. But I do – I would also just add that, the home price appreciation is really a lot is happening at the lower ends of the market, right, given first time homebuyer supply-demand dynamics.

So I would say overall, it's been a very strong market for the MI kind of borrower. Derek, if you want to add anything to that, nope.

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**Mark C. DeVries**
*Analyst, Barclays Capital, Inc.*

Q

Okay. Got it. Thank you.

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

A

Thank you, Mark.

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**Operator**: From Bank of America, we have Mihir Bhatia. Please go ahead.

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**Mihir Bhatia**
*Analyst, BofA Securities, Inc.*

Q

Hi, thank you for taking my questions. The first one I had maybe just wanted to turn to Exhibit H and had a quick question just on there. When we look at the FICO the LTV percentages, it clearly, there's been a little bit of – deterioration is probably way, way too strong a word to use. But certainly the high FICOs have come down a little bit and the higher LTV have increased a little bit there. And what I wanted to understand is, is that a function of the market, or is that also a function of – you mentioned your pricing engine looks at so many different variables?

Is it just caused by you where you're seeing maybe a little bit better risk-reward, a little bit better intrinsic value, if you will? Is that what's happening there? I imagine you do a little bit deeper analysis than what's presented here. So, just trying to understand what's going on there.

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**Derek V. Brummer**

*President-Mortgage, Radian Group Inc.*

A

Hey, Mihir. It's Derek. So it's really a combination of the two. Much of it's just driven by a shift to a purchase market, and so, you kind of expect that, Rick talked about that strength. So if you go back a year ago, I think our refi volume was about 35% Q4. Now, it's down to the most recent quarter under 10%. So, a lot of its driven there. And then some of it is just risk selection.

So, when we're trying to find economic value, we're looking at the combination of one where we see those loans performing over a long term, given kind of where the economic environment is and our projections going forward, but also importantly where we see the market clearing rates. So, to the extent we see relative value in certain segments, we might be a bit overweight, underweight in certain areas. And we're constantly shifting that.

And I'd say the other thing we're very mindful of is not becoming over-allocated. So, even if we have pretty strong conviction that there is more economic value in a segment to the extent that we think we're taking too outsized a share we'll also moderate there for more of a qualitative perspective. So, it's really both in short.

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**Mihir Bhatia**

*Analyst, BofA Securities, Inc.*

Q

Okay. That's helpful. Thank you. And then just my other question, just on homegenius, and I'll just ask both of them like pretty related and jump back in queue. Just – the first one was – they used to be a SaaS line item, I think, we need to go forward to just combine that with the SFR and just call it real estate. Is that the go forward plan? And then the other question on homegenius I just had was you mentioned revenue at the low end of the prior guidance. How are you feeling about margins in that segment? Is the 14% margin still achievable? Thank you.

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**Richard G. Thornberry**

*Chief Executive Officer & Director, Radian Group Inc.*

A

Yes. Thank you, Mihir. And I think, just kind of taking both your questions together, just as we sit here today with homegenius overall, I think we see a few timing differences in our forecast, but we believe we're well positioned and tracking against the strategic plan we laid out for Investor Day last year. As we mentioned in our Investor Day, we could see a few timing differences related to market changes and also just the timing of the roll out of some of these technology products.

And I think, so in the fourth quarter, we saw a little bit of – a little bit of a slowdown in the refinance business, which kind of affects our title business today, at least on the refinance side. And as we've kind of come into this year led declines, but a little faster than we thought. But the good news is we're actually expanding our existing relationships based on service and their value proposition, and we've got a really strong pipeline of customers that we're signing and onboarding.

So I think, from that perspective, we feel good to go to your SaaS question on our SaaS business. We actually, as we mentioned at our Investor Day, we actually – the first guidance that we gave related to SaaS was really 2022 in terms of the number of SaaS users. And so as we prepare to launch those products really commercially into the market, when the first one up is geniusprice, which is a very kind of first of its kind property intelligence platform.

We'll start to provide more highlights on that as we go and break that down as appropriate. But I think today, as we sit here with our title business with a strong group of customers as we sit prepared to starting to launch these SaaS products and really strong momentum in our other real estate services, which are really primarily driven by our SFR relationships and our valuation products, we feel like today we're in a very strong position in the market and continuing to see tremendous opportunities.

I would just say that, as we said, the low end of the range, a range of $225 million to $275 million of revenues. At $225 million, that's a year-over-year growth of 50%. And I think again, it would be a very strong step forward for the business. But I think probably, if anything, it's a little bit of timing with strong participation from title, the growing opportunity in SaaS as we launch these products and continued strong markets around SFR and valuation.

So, as we sit here today, I think we're very excited about the business and feel good about the momentum. Few timing differences aren't going to matter to us in the long run.

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**Mihir Bhatia**
*Analyst, BofA Securities, Inc.*

Q

Well, absolutely. Sorry. I just – I did want to ask, the one question on that was just the margin. I think you said 14-ish percent margin. Do you feel good about that? Are you guiding there still?

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

A

Yeah. I think we still – we have not changed our view on that from our initial guidance. And I think – again, a lot of its – there can be some timing differences in that because, you know, mix differences, but in terms of our overall product, the profitability that we see in the various products across homegenius, we still feel very good about that.

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**Mihir Bhatia**
*Analyst, BofA Securities, Inc.*

Q

Great. Thank you.

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

A

You're welcome. Thank you.

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**Operator**: From Credit Suisse, we have Doug Harter. Please go ahead.

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**Douglas Harter**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

Thanks. Frank, thanks for the detail on the contingency reserve. Can you just talk about your ability, over 2022 and 2023 to continue to get capital out of the subsidiaries until those contingency reserves release and how we should be thinking about that until you can give regular way dividends?

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

A

Sure. Yeah. I appreciate the question, Doug. Yeah, when you think about the amount of holding company resources that we have currently post the $500 million return of capital, we're sitting with holding company cash on a pro-forma basis off of 4Q of about $1.1 billion. And if you think about the sort of the stated intended uses of that capital on a go forward basis, and let's call it, just over the next two years, we have a $400 million share repurchase authorization that's new. And if you look at the new dividend level at $0.20 a share on a go forward basis and you look at that over the course of the next two years, so it's $144 million annually, $288 million over the course of that two years.

So we have roughly $688 million that would be expected to be used for both share repurchase and dividends. So you compare that to our current resources, and that's why I made the statement that I did that we believe that we have a nice bridge that will help us achieve our capital management, capital return plans until we hit that 2024 timeline.

So we think we're very well balanced, we think we're well calibrated, and we certainly think that we are very well-positioned from both a holding company standpoint and also making sure that we support the organic desires and plans with the operating companies as well. So when you look at them in context of PMIERs cushion at the operating company is still a very, very strong cushion there. So we think we're well-calibrated overall.

**Douglas Harter**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

I appreciate the answer, Frank.

**Operator**: From KBW, we have Bose George. Please go ahead.

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

Q

Hey, guys. Good morning. Actually just to follow-up on the question about capital return or dividends up from the insurance company, in 2024, did you mention like what the cadences of the ability to return capital? I think you mentioned a $500 million number at some point, but could you just go over that again?

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

A

Sure. So the way that it works, Bose, is it's calibrated to when the unassigned funds turn positive. And if you look at slide 20, in my prepared remarks there, that unassigned funds balance because of the movements of contingency reserves both what's coming in and what's coming out coupled with earnings, that creates a position where unassigned funds turn positive. And an approximate amount that we would be able to return in capital from ordinary dividends would be roughly $500 million.

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

Q

Okay. Great. Perfect. Thanks. And then actually switching to expenses, can you just talk about where you think expenses that the mortgage – the insurance company goes next year?

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

A

Absolutely. So we've provided a little more detail on Exhibit E, pages 6 and 7, probably going to be the most helpful to you. And I'll speak to both the total expense level on a quarterly basis and the mortgage segment as well. So when you look at the total, and this is on page 7 of Exhibit E, we're going to guide to roughly $85 million on a total quarterly basis for total expenses. And then when you look at the segment itself of mortgage which is on page 6 of Exhibit E, we're going to guide to roughly $55 million to $60 million or relatively flat on a go-forward basis there for the mortgage segment.

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

Q

Okay. And the $55 million to $60 million, that doesn't include the policy acquisition cost, so that should be sort of the run rate of $7 million a quarter-ish?

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

A

That – I believe that's correct, yes.

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

Q

Okay. Great, thanks. And then just one more. There was a – I guess a press report about potential M&A involving Radian. Just curious if you can say anything and, to the extent you can, just any thoughts on just M&A in the industry in general, how you guys think, if that's a possibility, would be great.

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

A

Hi, Bose. This is Rick. And I appreciate the question, but it's our longstanding policy not to comment on market rumors. I think our business strategy and objectives remain unchanged. And as you just heard, we reported excellent financial results this past year. And our plan is to continue returning capital to stockholders. We're excited about the momentum of our business and – from last year and into this year.

So I think as you think about consolidation, we believe the market has a healthy number of players today. The GSEs expressed the same and have an interest in not expanding their counterparty concentration risk. And I think especially given their counterparty risk to private MIs is their largest counterparty risk. So from our perspective, it's hard to make the numbers work on consolidating, a combination of consolidation within the industry. And I think you have to have enough cost synergy to really offset the market share decline. So, whenever asked to comment on consolidation, I always look at it from within the industry. I think to be one of the remaining players would be a positive. If consolidation would occur, given the redistribution of market share.

So but it's very hard. The math is very hard to work given, the cost synergies versus the market share give up and potential loss in growth. So I think that's what I would say about that. But we're excited about where we sit today and the position of our business. And that's what we're focused on.

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

Q

Okay, great. Thanks.

**Operator**: From BTIG, we have Ryan Gilbert. Please go ahead.

**Ryan Gilbert**
*Analyst, BTIG LLC*

Q

Hi, thanks. Good morning. First question is just around persistency, it sounded like the view was maybe a little more positive around persistency in 2021. I think last quarter we talked about persistency remaining below historical levels. So just any more details on your thoughts around how persistency trends in 2022 would be helpful.

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

A

Sure, Ryan. This is Frank. Yeah, our thoughts on persistency is we're certainly entering an environment now with increased rates where we would expect persistency to continue to increase. I think we have said historically that a normalized persistency level is somewhere in the low 80s. So I think there's a question of how long it might take to get back to that. But I think the economic backdrop, currently, it certainly supports a trend line in that direction.

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**Ryan Gilbert**
*Analyst, BTIG LLC*

Q

Okay. Great. And then in your title business, 70-plus percent revenue growth seems like pretty sizable market share gain. Is that – are you still operating primarily in refinance? And maybe you can talk about the factors that – or just any details on the factors that drove your growth in 2021 and maybe as we look to expanding your purchase footprint in 2022, just more details on the go-to-market strategy?

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

A

Yeah. Thank you, Ryan. On the title side, from our title business point of view, we – our growth was driven entirely by the development of new customers across our platform and the expansion of existing relationships. So today, we have over 120 active title relationships. We signed 34 new customers in 2021 – versus 22 in 2020. We have 7 of the top 20 lenders as title customers. And our momentum coming out of 2021, we signed 13 clients in the fourth quarter, and we signed an additional 4 in the first month of 2022. So a lot of momentum on client growth.

And I would tell you too, we have four prospects, right now active prospects in the top 25. So our growth is coming from – obviously, there's volatility in refinances, but our growth today is coming from centralized lender relationships today, primarily focus on refinance, and it's through growth in clients and penetration of existing relationships which we're winning – our team is winning that penetration and additional share from our customers based on service. Our service is outstanding, and our team is delivering outstanding service, and we have a great digital platform, and we have a great value proposition for lenders to do business with us. So I think we compete very well with the traditional historical players and the other new entrants. So that's really what contributes to the growth last year and how we're positioned for this year.

On the purchase side, as I mentioned in my prepared comments, we rolled out late last year our titlegenius platform, which is really our digital platform built on top of the blockchain, a blockchain platform. And that platform we are focused on working with realtors, consumers directly and lenders to really kind of drive a better purchase title experience across those different players. And you could see – I think in our Investor Day, we mentioned we had 275,000 relationships with realtors. We obviously have great relationships with lenders both on the title and the MI side. And consumers are finding us through some of our digital marketing.

So we look to expand our presence in the title business through our titlegenius platform and our digital presence differently than, say, some of the traditional players. And we'll keep you posted on our progress. It's early and I think we're playing it a different way than, say, we're going to go sign up a bunch of title agents to do purchase business. Our focus is on really solving for dealing with the consumer, realtor, and lender through our digital platform built on top of a blockchain fabric and really kind of reinventing and redefining how the process should work. So that's our focus coming into 2022, continue to grow our penetration of – we have a very small share of the refinance market. So as we expand clients, as we penetrate existing clients, so you add to our purchase business using our titlegenius platform, that's what fuels the growth in our title business.

**Ryan Gilbert**
*Analyst, BTIG LLC*

Q

Got it. Thanks very much.

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

A

Thank you.

**Operator**: From Dowling, we have Geoffrey Dunn. Please go ahead.

**Geoffrey Murray Dunn**
*Analyst, Dowling & Partners Securities LLC*

Q

Thanks. Good morning. Frank, I wanted to follow-up on the surplus capital management discussion and try to better understand what this $500 million dividend move is. Is this frontend loading what you consider your capacity over the next two years, meaning that $278 million pro forma is kind of the minimum surplus you want to be at, and we grow from here until 2024, or is there more capacity? If you put on additional $100 million of surplus in the next year, can you consider pulling that out? I'm trying to understand where you think of your minimum here with this action.

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

A

Sure. Great question, Geoff. The way that I would describe it because we don't like to speak forward about any capital actions, I would suffice it to say that what we've done, we believe, provides us with a good, as I said in my prepared remarks, a good bridge between where we sit today and where we expect to be in 2024. Again, as I outlined, the amount of holding company resources that we have to support our intended capital return actions that have been approved and announced, we think, are sufficient. So, yeah, I would just leave it at that.

**Geoffrey Murray Dunn**
*Analyst, Dowling & Partners Securities LLC*

Q

Okay. Thank you.

**Operator**: And from B. Riley Securities, we have Cullen Johnson. Please go ahead.

**Cullen Johnson**
*Analyst, B. Riley Securities, Inc.*

Q

Hey. Good morning. Thanks for taking my question. And we touched a little bit earlier on 80% has maybe a longer-term average for persistency. But I'm wondering if rates continue to go meaningfully higher, could we see persistency upwards of that or should we maybe think of the 80s as more of an upper bound that we would just start to approach over time in a much higher rate environment?

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

Yeah. This is Frank. Great question. I think when we think about low 80s, if you think about just the natural turn in the portfolio that occurs with roughly a five, six-year duration-type asset that would imply, you know, an 80%-ish persistency or 20% turn each year. So that I think when you look at just very low refinance activity occurring that calibrates to roughly low 80s on a persistency level. Is there a chance it could go higher? I'd hate to discount the possibility. I just don't – I don't see it as being likely.

**Cullen Johnson**
*Analyst, B. Riley Securities, Inc.*
Q

Okay. Great. That's helpful. And then, you know, are you still kind of generally seeing favorable outcomes for the borrowers that are still exiting forbearance with respect to loss mitigation or just the ability to resume paying or is there any sort of change there, relative to prior quarters?

**Derek V. Brummer**
*President-Mortgage, Radian Group Inc.*
A

This is Derek. The trend is pretty consistent, so the exits we see are favorable for the borrower. Over time, we've seen more shift to payment deferral or some sort of modification option. But the trend lines continue to be consistent and positive.

**Cullen Johnson**
*Analyst, B. Riley Securities, Inc.*
Q

Great, That's helpful. Thank you.

**Operator**: Thank you. And we'll now turn it back to Rick Thornberry for closing comments.

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

Thank you. And thank you, all, for your questions and your interest in Radian. We look forward to talking more about our business in the coming quarter and look forward to hopefully seeing many of you in person as we all come back out of this pandemic environment. Again, thank you. And be safe out there, and we'll look forward to talking soon. Take care.

**Operator**: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.