

Company Name: First American Financial (FAF)
Event: Stephens Spring Investment Conference 2014
Date: June 4, 2014

<<James Rutherford, Analyst, Stephens Inc.>>

Good morning everybody and welcome. My name is James Rutherford, I'm Research Associate in the Business Services Group, filling in for Brad Hoff, who had to run for a meeting. He is the Senior Analyst in this space.

Very excited to have with us FAF today. We've got Dennis Gilmore, CEO and Director; Mark Seaton, CFO; and Craig Barberio, the Director of Investor Relations. Thank you all for your time and being with us today; we very much appreciate it. And thank you all the audience for joining us as well.

So the format will be about five minutes of overview and intro, and follow that by about 40 minutes give or take of Q&A, which I'll start off and then hand over to the audience as quickly as possible. We want to get your questions in as much as we can.

So with that, if that sounds good, we can just hand it over to you guys. Thank you.

<<Dennis J. Gilmore, Chief Executive Officer>>

Again, my name is Dennis Gilmore, and I'm the CEO of First American. I've been with the company for about 20 years, and I introduce the team. Mark Seaton, our CFO, had been with us for quite a while, and Craig Barberio, Director of Investor Relations. We're going to just give a few minute commentary on the company. And then I will pass it over to Mark for a couple of minutes and then we will open up for questions.

First American's vision is very straight forward. We want to be the premier title and settlement service provider in our key markets, which is the U.S., and then our selected international markets. And we want to really compete in three key pillars. Our core title business, which represents clearly the bulk of our company, over 90% of our revenue. And in that core title segment we would like to continue to grow our share organically with some strategic tuck-in acquisitions on our title side.

Our second segment is, we want to continue to leverage and expand our data businesses and expand our product offerings along our Mortgage Solutions Group. And then, our third pillar for the company is to continue to profitably manage, focused on our, what we call our affiliate businesses, and that's our Specialty Insurance segment, which is a Home Warranty company and a P&C company.

So, that's a high-level strategy for the company. A couple of comments on the housing; housing market itself, and that is, 2014 is really shaping-up to be pretty similar a market to what we thought it would be kind of starting the year by the way, our purchase orders

are running very close to what they were running into 2013. And 2013 showed a nice growth off of 2012. So, when we started the year, we expected our purchase orders to be up roughly 3%, 4% and our actual fee per order to be up 3% or 4%, which we're actually seeing right now is our purchase orders are running about flat, and our fees are up about 5%.

So not that far off of what we thought would happen. Refinances are down considerably, as everybody knows, we're down in the 55%, 52% range from - effectively a year ago.

So, all-in-all, the markets are turning out very similar to what we thought it would turn out to be. So, we're well into the spring buying season, and we think that the trends will continue.

Our commercial activity has been strong for a number of years, and remains strong, and so, we think, that trend will continue throughout 2014 and beyond. And our initiatives that we've been very focused on over the last year, year and a half to grow our business have been showing some nice returns for us. We're up about 90 basis points on share for the trailing 12 months, so we're seeing a nice return on our share growth there.

Overall, we're very optimistic about the housing market right now, but we actually believe, probably revenues will trough in 2014, and the reason we believe that is, that we're seeing it in our purchase volumes, our refinances are pulled way in. And so, we believe that 2014 will probably a trough year for the revenues, and then we anticipate nice growth in the business, as we go into 2015 and beyond.

With that, I'm going to turn over to Mark for a few comments on capital management.

<<Mark E. Seaton, Chief Financial Officer>>

Thank you, Dennis. I'll just talk for a minute or two on capital management strategy. It seems like it comes up frequently. We really have three priorities in terms of capital management. The first is, invest in our core business through capital expenditures.

We spent about \$80 million to \$85 million a year in capital expenditures, and that's about as much as we could spend responsibly. We spend our CapEx on customer facing technologies; and on things like building out our databases, but that's really the first priority that we have.

The second priority is to make acquisitions that are strategic to our business, and there is really two conditions that need to exist for us to do an acquisition. First is, it's got to be strategic for us. We're going to say within the title and the settlement services space. We're not going to get outside of our core business.

And the second condition of course is, we have to get paid for it. So we look at kind of a base hurdle rate of 10% to 12%, and obviously it can go higher depending on the riskiness of the deal, but strategic acquisitions is the second priority.

Since we did the spin-off four years ago, we really haven't done many acquisitions. We just closed the Interthinx acquisition, which was \$155 million in the first quarter, but that's an example of a business that we found was attractive.

The third priority that we have is to return capital back to shareholders. We are very committed to doing that. We doubled our dividend in March. We were paying \$0.12 a share per quarter, now we're paying \$0.24 per share per quarter. Historically, and this is a general statement, but historically, we've paid roughly 20% of our earnings in common dividends. Now, we've doubled the dividend, we're paying roughly 40% of our earnings in dividends. So we're very committed to the dividend, and we're very committed to returning capital back to shareholders in general.

We have a \$250 million share repurchase authorization. We haven't repurchased any shares this year, but we're very opportunistic about it. Last year, we purchased \$65 million of stock. So we will do it from time-to-time depending on market conditions and other uses of our capital.

In addition to those priorities, we also want to maintain A- financial strength ratings at our insurance company. We're really there with almost all the rating agencies right now. A- ratings are important for our commercial business, which is performing very well right now. They're important for our international business, and it's important for our cost of credit to holding company.

And then finally, I'll just touch on our capital structure. Our debt-to-capital ratio was 16%. It was 11% at the beginning of the year, and we funded our Interthinx acquisition through our credit line, so now it's slightly less than 16%. We feel very comfortable in the 18% to 20% range. So we have some room to increase our leverage somewhat, and the most likely course of that would be another acquisition at some point. But 18% to 20% is our target debt-to-cap, and we have some room to run there. So that's in the capital, I think at this point, we'd be happy to entertain any questions.

Q&A

<Q – James Rutherford>: Okay, great. I want to start this off, with one or two here. First on cost cuts and margins. I know you've had some strong staff cuts, add to that good commercial quarters and margins have been steady despite the refi declines, and so what you guys see as what needs to happen next to keep from needing to do continued cost cuts or kind of what's the outlook in that regard?

<A – Dennis J. Gilmore>: Well, you just run these kind of businesses based on your current volumes. So we're probably at this stage right now, we're sized appropriately for the volumes we're doing. It's a type of business that if we see any significant volume declines, we've got to go back and readjust our cost structure, that's just the nature of the business. But I'd say, right now, we're adequately sized for the transaction volume we're seeing right now.

<Q – James Rutherford>: Okay. And then just kind of follow-up with the commercial side. What are the trends been so far this quarter in commercial, and can you comment on that?

<A – Mark E. Seaton>: So far this quarter, it's too early to tell. Typically, just the way the commercial business works is, there's just a lot of deals that close, really the last week of the quarter. And so – and Q4 typically is the strongest quarter for commercial. But typically, most of our deals close in March, in the month of June, in the month of September, in the month of December.

So really we've closed April and May, and I'd say they've come in line with our expectations, but we really need to wait for June to really understand how significant the quarter is going to be.

<Q – James Rutherford>: And on what basis do you guys win those deals, is it kind of the strong financial background, A- rating or better or is it something else?

<A – Dennis J. Gilmore>: Let me start. We win our commercial space. We do very well in the commercial transactions through our service, through our dedicated brand structure. We have a dedicated division that simply focuses on the commercial marketplace. So all the way from service, sales, underwriting, et cetera, then we back that up with a very strong balance sheet, and a strong market position.

<Q>: Thank you. So I guess we can open up to Q&A from the audience if you guys have some questions?

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: Yeah. I'll start with that. We kind of think about our expense structure in two basic buckets. We've got the market driven expenses, and we have the structural expenses. And certainly if we were in a purchase market that was back in 2006, we'd have to hire more people. Market driven expenses, right, because at the end of the day, we've got 17,000 employees, and if our orders go up, we need more people. Orders go down, we need fewer people.

So we would definitely need to hire production and escrow-related people, but we don't see significant structural expenses. Back in 2006, we had a 103 different claim centers. Today, we have four claim centers. Back in 2006, we had 30 accounting centers. Today, we have two accounting centers, and I can go on and on. We used to have 30 data centers. Now, we have two data centers.

So we've done a lot to fix our structural expenses, and those expenses will not come back when we return to that purchase market. So there is no doubt in our minds that we'll have significantly higher margins when we return to the purchase market, a normalized purchase market.

<A – Dennis J. Gilmore>: I will only add, just structurally we've completely redone this company from how we operated over the last five years, and to follow Mark's comment, clearly, we would add incremental costs, but we would have no intent to add back the structural cost.

<Q>: [Question Inaudible]

<A – Dennis J. Gilmore>: The issue is really, whenever we have a volume change that's very quick, we're always a little behind the curve on the way up, and on the way down. So your question is, if they move very quickly, we have to catch up from an operating perspective, and as they move down very quickly, we've got to catch up. And that's really what happened to us when the refinances dropped last year. They dropped so quickly, and we were in a cost-cutting mode for about nine months. So it depends on the speed and the velocity of the change.

The purchase market though doesn't typically move in that kind of velocity. It's typically a refinance market that moves in that kind of a velocity. So our purchase experience over many, many years has had typically ebbs and flows in a slower more controlled manner.

<Q – James Rutherford>: Over sort of the long-term, what do you guys view as a normalized market? Is it that \$1.5 trillion, \$2 trillion or is it...

<A – Dennis J. Gilmore>: I throw my hands up, because we've had that question literally for five years now, and it's almost impossible to answer. The fact is, we're in a \$1 trillion market right now. We're doing fine. We've adjusted the business to a \$1 trillion market.

I phrase it, maybe a little differently. We would be very optimistic if we were operating in a \$1.3 trillion to \$1.5 trillion market that was purchase dominated. That would be considered in our minds a good market.

<A – Mark E. Seaton>: The only thing I'd add is, the core strengths of First American are really in the purchase market, in the commercial market, and really the homebuilder, the new home market. Those are the three areas that we do relatively well in versus the other markets. And the good news for us is that, those are the markets that we feel like have growth characteristics over the next few years.

We get paid twice as much for purchase order than a refi order. So, yes refis have been down – our refi orders were down 52% over the last year. But since we get paid twice as much for purchase transaction, we have a lot of leverage as the purchase market recovers, and I think it's a strong view that it's going to happen.

<Q – James Rutherford>: So where could those pre-tax Title margins go if more of \$1.5 trillion or is there any clarity into that?

<A – Mark E. Seaton>: Well, there is a slide in our deck here that shows kind of where our margins have been versus different market environments?

<A – Craig J. Barberio>: Page 11.

<A – Mark E. Seaton>: Right. And so, page 11. And for those of you that have the deck, you see on page 11, we've had 10% margins four times since 2000, and we could have taken this graph back to the 90s, and it would probably still be four times. And in 2003 and in 2005, we had 10% margins, but those years we were in a \$3 trillion plus mortgage origination environment.

And so, I would say before, in the old First American, 10% margins was really the ceiling. If we were in a \$3 trillion market, we could hit 10% margins, but as you can see here, we've hit 10% margins in 2011, 2012, and now we feel like it's – instead of the ceiling, it's really the floor.

I mean we feel like we can hit 10% margins in any market. Now in 2014, it's going to be tough to hit that just because of the dramatic fall in refi, but certainly in 2015, 2016 and beyond, we expect 10% to be really the floor, and certainly we expect record margins once we hit that \$1.5 trillion market whenever that does happen.

<Q – James Rutherford>: So to sort of switch gears a little bit, on the direct versus the agency split, what's your long-term kind of goal or do you even have kind of a long-term goal for that direct versus agency split?

<A – Mark E. Seaton>: There is not a goal. It's not like we go through a planning cycle and say, okay this year we want 50% agent, 50% direct. Right now we're running roughly 55% agency, 45% direct, somewhere in that range, but really the strategy is in the large metropolitan areas, L.A. et cetera, we're trying to get every direct deal that we can – ever direct deal that we can.

The fact is, we don't get every direct deal in Los Angeles, and so we will underwrite agents when the economics make sense, and that's kind of our strategy in metro areas. In rural areas, there is often when an agency relationship just make sense, because you don't have to have that fixed infrastructure of having an office in a rural location. So, I think we're very supportive of both direct and agent. We like both channels.

<A – Dennis J. Gilmore>: I mean I would only add that, again in that 55% - 45% kind of distribution we have right now, that's close to what we'll stay, it may move around a point or two either side, but both distribution channels are critically important to us, and will continue to appropriately try to grow in both where it make sense, and how the market actually operates. So I guess what I would end with is, I do not anticipate any significant changes in those percentages give or take a point or two either way.

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: They get the lion share. On average, they get 80% of the premium. We keep 20%, but the premium split, it varies by state. Typically, the splits are worse for us in the West Coast, and they are better for us, better than 80/20 on the East Coast.

So the splits gets better as you go from West to East, but the return on capital of the agency business is very good. So the margins are relatively low versus our other lines of business, but you don't really need a lot of capital to support the agency business, because a lot of the costs are variable. The vast majority of the costs are variable. So we can get good returns on capital, but to answer your question on average, nationally, the agent keep 80%, we keep 20% of the premium.

<A – Dennis J. Gilmore>: And where you will see difference is between the largest underwriters would be is ultimately is where we decide to distribute to an agent. If we have a predominantly larger percentage more in the Western states, we will have a different split than if we were mostly in Eastern-based agency company. We like the returns on capital nationwide, and that's why we support it nationwide.

<A – Craig J. Barberio>: Keep in mind, the agents do basically all the work. I mean, they have a relationship with the customer. They do the search and exam work. So, really, we do the underwriting at the very end, but they pick up all the fixed costs and variable costs of production.

<Q>: [Question Inaudible]

<A – Dennis J. Gilmore>: No. It's not all coming from commercial. It's broad-based. It's broad-based across our broader product lines, number one. Number two, there's no one person who is picking it up from – every market is different, every market is local and so, we deal with local dynamics. So I'd say broad-based how we're picking it up right now.

<Q>: [Question Inaudible]

<A – Dennis J. Gilmore>: Yeah. Really, again our feeling on this issue is that, it's being – well, it's not our feeling, that's our fact. We know it's been driven by an average purchase price increase. And so we've seen housing continue to inflate at a higher level than we anticipated. For the first quarter, people are coming out with a 10% inflation rate on housing stock right now. And so really what we think happening in the market right now is we're continuing to see very strong price appreciation on housing. And it's our feeling, in many of the markets, we still have inventory concerns. There's not enough inventory in the market, which is helping to drive the purchase price up on the individual houses. So actually, what we'd like to see is to see some pullback in price appreciation on housing and more transaction volumes.

<Q>: [Question Inaudible]

<A – Dennis J. Gilmore>: Well, again, we don't really break it out that way, but where we've been very focused is growing our purchase share. That's a key part of our franchise. We think it's one of our competitive advantages, and we're very focused on the purchase market. That's the reason why by and large we have 800 plus branches in our company, that's to support the local purchase transactions.

<Q – James Rutherford>: Does bank consolidation that's kind of happening across the country affect you guys, and if so, what way, refi, purchase, and is there a difference?

<A – Dennis J. Gilmore>: Actually, we see a little bit of different dynamic now in the marketplace. Couple of three years ago, we were seeing a very strong consolidation to the top lenders across the country from a share perspective. And actually what's happening now is, it's starting to drop back down and redistributed back to more mid-sized players and mortgage bankers and so on. So the shares from a lending perspective is actually dropping a little bit the other way. So again, kind of redistributing now to more players right now.

<Q – James Rutherford>: Questions?

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: Just comment on reserves. We think our reserves are adequate right now. In the first quarter, we booked our loss provision rate at 6.0%. We think that's a reasonable expectation for the rest of the year. I mean it could be higher or lower a little bit, but most of the reserve issues that we've had were from policy years of five or six or seven. We wrote a lot of policies at very high loss rates.

And typically it takes about five years for our actuaries to really feel good about the adequacy of a policy year. And in 2007, which was our worst year, now we have seven years of seasoning. So I would say we feel good about the adequacy of our reserves. We are paying a lot of claims right now.

We pay about \$300 million a year in title claims and we're provisioning on our GAAP statements about \$200 million a year and so over the next three years to four years, our paid claims are just going to start to fall just the way the triangles work. And so that's going to be a \$100 million pickup to cash flow just by having these old policy years seasoned. But in terms of the loss provision rate, I think 6% is kind of what we are thinking for the foreseeable future.

<Q>: [Question Inaudible]

<A –Craig J. Barberio>: Take a look at page 19 if you have deck there.

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: Typically about 75% of our claims come within the first three years to five years in a normal environment. Obviously 2006, 2007, and 2008 was not a normal environment and so the curve is higher and that has kind of extended a longer than the traditional curve. But I would say typically loss of claims came within five years.

<Q – James Rutherford>: Is there a different profile for losses on the commercial title versus the residential?

<A – Mark E. Seaton>: It's a similar lost development patterns for commercial versus residential. We definitely get a lot more claims in terms of the frequency on the residential side. On the commercial side, there is less frequency obviously much higher severity on the commercial side. On the commercial business, the underwriting is a lot tighter than the residential side.

For commercial transaction, we have a lot of attorneys that are looking and trying to minimize all claims. We don't take many risks on the commercial side. Whereas in the residential side, you take some risks, just because it's not economical to eliminate all the risks on the residential side. But at the end of the day, the loss rates are about the same, about 6% from both residential and commercial. All those frequency and severity are very different make-ups.

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: The biggest driver is just missed liens. We can just miss a lien for a variety of different reasons. One of the reasons is maybe the public record is just wrong, maybe the lender just didn't record a lien in the public records and we rely on the public records to make an informed underwriting decision. So about 40% of our claims came from missed liens.

We get about 10% of our claims come from frauds or forgeries, which are difficult to detect in many cases. About 10% of our claims come from escrow-related losses, where in the closing we make a mistake or we miscalculate taxes or something like that, but there is a whole variety of issues that could come up. One of the things that uncovers claims too is defaults and foreclosures.

If we're in an environment with a lot of defaults and foreclosures, the claim sort of manifest themselves and that's what we actually receive claim notices. So, the healthier the real estate market is the fewer claims we're going to have. And when you look on again on page 19, the last four years has been very, very good in terms of underwriting. We've been underwriting it less than a 5% loss ratio for these last few years. And so we feel like – the these policies that we're writing today are going to be very, very good for a long period of time.

<Q – Audience Participant>: Just following on that and I'm new to the business. Why is it that defaults and a poor economic environment would uncover more claims, is it that

when people are losing money they tend to scour more carefully and certainly look at claims more carefully? What...

<A – Dennis J. Gilmore>: One of the reasons is that's the precursor is the housing price is falling. So there is no equity in a home when there is no equity it eliminates one of our abilities to cure a claim. So when there is equity we have the opportunity to cure a claim without ultimately going to potentially a default. So it manifest themselves and it also creates a situation where we can't cure through an equity solution.

<Q – Audience Participant>: [Question Inaudible]

<A – Dennis J. Gilmore>: Many examples like that we will go after we would look for reimbursement or recovery and if there is equity – if the equity is gone there is no recovery. So what typically happens is that if you will the music would stop foreclosure and if there are any issues with title, they manifest at that point and we have to obviously fulfill our obligation as a policy – for the policy.

<Q – Audience Participant>: [Question Inaudible]

<A – Dennis J. Gilmore>: Sure. In that group, referencing really three of our key groups in that, that's our Home Warranty, our Property and Casualty business and our International business. We'll kind of break them down. Our Home Warranty business very excited about and we have a number two market share position there. But we're considerably smaller than number one, so that, we think there's opportunity there. The business has been growing nicely organically over the last three years. Nice return on its capital base, so that's a business that we'd like to continue to grow.

Our P&C business is the smaller of the businesses, and it's very focused on certain markets. And the reason we like that P&C business is, we're able to leverage our distribution channel or our closing channel or escrow channel. So we have an interesting ability to monetize leads in that business, but this is a smaller niche business for us.

And then the last component there would be our International business, which is dominated by Canada. And that's a business where we do both titling and mortgage processing. And we also have a smaller business in the UK and Australia. And in both – in all three of the cases internationally, again it's primarily about remortgaging and the conveyancing type work that goes on in those markets, coupled with some commercial business.

<Q – James Rutherford>: So question on your capital allocation. I know you went into some detail about that, and thank you. I was just curious on the M&A front. Most of those acquisitions going to be focused on expanding the product set, while mostly on kind of gaining more share in the market?

<A – Dennis J. Gilmore>: Yeah, really the question, how we're going to deploy capital from an acquisition standpoint. It's really going to be opportunistic for both. We're going

to continue to source out, I'll call tuck-in acquisitions on the title side, where we would sense an opportunity to bring a strong agent in a market that we're interested in growing into the fold, at the right price at the right integration strategy. So we've done a few of those. We'll continue to look for some of those in the future. They'll be in the larger markets where we want to try to add some share to couple our organic approach.

The second component will be more along the product line expansion in the mortgage solutions group or surfaces group and really right there it's coupled with a couple of things. Number one, we want to always be able to leverage our databases, our public record databases – grow our public record databases for the benefit of our title company and our product line extension and to that point our Interthinx transactions we did in the first quarter is a good example of that.

That was a product line extension number one. And number two, is a first big initiative where we supplemented external data for our own data to feed the models in that company. And as we've mentioned publicly, we are a little weak in our valuation solution, so we're looking for a valuation solution to add some bulk there.

Really what we were looking to play in the mortgage space is really three key areas that we think are growth areas and that's all about the compliance the world we operate in now from a mortgage perspective and in our terminology a total quality approach. And what we are looking to do is obviously continue to grow out titling, our valuation and our identity and that's what we look at from a business perspective. Who owns what? How is it titled? And what's it worth?

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: It's a bank that we own called First American Trust and really it's a captive bank. What we do is, when you put your 3% down payment down, some of those funds, we get to directly to the third party banks, some of those funds we give to our bank First American Trust, and we in turn invest in primarily agency and MBS securities. We required to have 65% of our assets in mortgages. So we don't actually write loans, we invest in mortgages, and so, we earn a spread on the deposits. So the only depositor that we have at our bank is our Title Insurance Company.

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: I would say, it's a – in terms of the risk profile, it's similar refis versus purchases. We have gotten a lot more claims on refis, just because we've wrote a lot of refi policies in the last five years or six years. But I would say the risk profile is not materially different.

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: Yeah. The quality is little green, and really we just look at kind of the claims experience so far. But I wouldn't say, that has much to do with, the refi

purchase mix, just as much as just favorable claims experience so far. More than anything else?

<Q>: [Question Inaudible]

<A – Dennis J. Gilmore>: It gives us an opportunity, if there's a title defect, that gives us an opportunity to potentially use an equity solution i.e. a recovery to resolve the title problem. No equity - that solutions off the table.

<Q>: [Question Inaudible]

<A – Mark E. Seaton>: Well, I'd say, low-to-mid 4% is historically, about as low as we can get. I mean, I think, if you go way back, we might have had a 3.8%, 3.9% back in the mid-80s or something like that. But at a 5.5% of loss rate, we can have very good returns on capital. And anything less than that is just – is just a upside. So to answer your question, how far – how low can you get, I'd say mid 4% is very, very good underwriting.

<Q – James Rutherford>: So just another question on your capital allocation that you mentioned share repurchases is one of those three things you deploy capital to. So how do you think about, what is the right range as far as pricing you guys are trading? And correct me if I'm wrong, but I think, about 1.2 times book value right now, is that kind of what you look at it, it's like one-time's range or?

<A – Mark E. Seaton>: We look at the cash flows. I mean, last year we bought back our stock, as I mentioned, \$65 million of it kind of in the middle of the year, and it turned out to be hindsight, it was a good investment for us. We wish we'd have bought back more, but we look at DCF and we look at normalized earnings approaches and that's kind of how we make our decision.

Now, last year, it just happened to be that we were buying at book value, I think, it was like \$21 a share or something like that. So that kind of gives you an indication of where we would buy. But we don't have a hard and fast rule it says, okay, once the stock gets to 1.0, we buy, and if it's 1.1, we don't buy. There could be cases where we don't buy it below the book and there could be cases where we buy it above the book, but we really look at cash flows and normalized earnings.

<Q – James Rutherford>: Any more questions?

<Q>: [Question Inaudible] Can you say some more about the opportunity in the mortgage solutions?

<A – Dennis J. Gilmore>: I'm trying to think what I kind of what I didn't say. Again, we don't want to participate because we think it's a very strong growth area and we think we play very well in the compliance orientation that a lender faces to originate loans. And if you kind of break it down where we want to participate, it's again three key areas. So it's the core titling and closing of a transaction, so that's one.

The second would be what I call, identity or who you say you are? Are the participants involved in the transaction? Who they say they are? And that's our Interthinx transaction. We think there is a lot of opportunity there. And then the third would be, is the property worth what you think its worth? And in all cases, those businesses allow us to cumulate additional data sets which can help us in the future potentially render more effective titling decisions. So we're really looking for a couple of key components to happen. Number one, the data expansion that will help not only those companies, but help our title company, and number two, a product expansion.

<Q>: [Question Inaudible]

<A – Dennis J. Gilmore>: It's a mixed story and I'm using the word specifically valuation, not appraisals or BPOs or AVMs. So we look at the space very broadly and we want to participate in kind of a lot of that different space. Right now, we participate in pieces that we're a significant provider, for example, of appraisal review services. So the world is not moving one way or another. They are all products and they are all used in different ways. So we see it as a pretty broad opportunity for us. So, I guess, to end that, I wouldn't say there is any one area that there is completely changing one way or another right now, but all types of products and services, be it manual or automated, have uses in today's market.

<Q – James Rutherford>: So, I'm jumping around a little bit, one more question if I could on the commercial side. Who do you guys primarily run into competitively in that space? Is it Fidelity, Stewart, is it local guys? And how do you stack-up against them?

<A – Dennis J. Gilmore>: I'll start if Mark wants to add anything. I would tell you that the top two players are subs and Fidelity, both play very strongly on that market and we both have outstanding product offerings, and specifically First American again, we got a dedicated division, simply focus on commercial. I think we have approximately 40 offices committed to commercial. It's our own specialized underwriters et cetera, et cetera. So it's a space we target, it's a space that we do very well and we have a very high customer retention.

<Q – James Rutherford>: Any more questions?

<Q>: [Question Inaudible]

<A – Dennis j. Gilmore>: Used to - very, very limited now. We do not think it is a good use of our capital to rent our balance sheet. So very, very limited cases and they're legacy examples.

<< <Q – James Rutherford>: Well, I want to thank the First American team for your times, very much appreciated, and thank you all for joining us. We have FNF next in this room, so stick around for that. Thank you. Thank you, guys.