

Rating Action: Moody's upgrades Radian following sale of financial guarantor subsidiary to Assured Guaranty; Radian Guaranty IFS at Ba1, positive outlook

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New York, April 01, 2015 -- Moody's Investors Service, ("Moody's") has upgraded the Insurance Financial Strength (IFS) ratings of Radian Guaranty Inc. (Radian Guaranty) and Radian Mortgage Assurance Inc. (RMA) to Ba1 from Ba2, and upgraded the senior unsecured debt rating of Radian Group Inc. (Radian Group) to B2, from B3. The outlook on the ratings is positive, with the exception of Radian Group that has a stable outlook. In the same rating action, Moody's upgraded the IFS rating of Radian Asset Assurance, Inc. (Radian Asset) to A3, with negative outlook, from Ba1. The rating of Radian Asset will also be subsequently withdrawn. These actions conclude the rating review Moody's initiated on December 23, 2014. The rating action also has implications for the various transactions wrapped by Radian Asset as discussed later in this press release.

Today's rating action was prompted by the announcement by Radian Guaranty, a direct subsidiary of Radian Group (NYSE: RDN), of the consummation of the agreement to sell 100% of the issued and outstanding shares of Radian Asset, its financial guaranty insurance subsidiary, to Assured Guaranty Corp. (AGC, A3 IFS, negative), a subsidiary of Assured Guaranty Ltd. (NYSE: AGO, senior debt at Baa2, stable). The closing and merger have taken place, and forthwith, Radian Asset's obligations will be obligations of AGC.

Radian expects the transaction to increase Radian Guaranty's Available Assets, required by the Private Mortgage Insurer Eligibility Requirements (PMIERs), by \$789 million.

RATINGS RATIONALE

RATINGS RATIONALE - RADIAN GUARANTY, RADIAN MORTGAGE ASSURANCE

The upgrades reflect Moody's view that the sale of Radian Asset increases the amount of capital readily accessible to Radian Guaranty, and strengthens its capital adequacy relative to its insured mortgage exposures. In addition, completion of the transaction meaningfully reduces the shortfall in Radian Guaranty's Available Assets relative to the level of Required Assets defined in the GSEs' proposed capital adequacy requirements for mortgage insurers, the Private Mortgage Insurer Eligibility Requirements (PMIERs), an important step towards attaining PMIER compliance, and defending against the potential for erosion of its franchise due to actual or perceived difficulties in becoming compliant.

Radian Guaranty estimates that it will have a shortfall in PMIER Available Assets of approximately \$350 million after taking into consideration the net proceeds from the sale of Radian Asset of approximately \$789 million, and unencumbered holding company cash of approximately \$670 million that Radian has earmarked for capital contributions to Radian Guaranty. However, we consider there to be competing demands on the holding company cash, which will be required to support repayment of approximately \$645 million in senior and convertible debt due in 2017, unless the company is able to refinance or otherwise extend the term of that debt.

Moody's notes that the positive outlook on Radian Guaranty's and RMA's ratings reflects our view that the credit profile of the mortgage insurance operations continues to improve, and that Radian Guaranty is well positioned to attain compliance with the PMIER requirements, as currently drafted, over the next 12 to 18 months.

RMA and Radian Guaranty, although separate legal entities, are evaluated jointly. RMA and Radian Guaranty entered into a cross guaranty agreement in 1999 that remains in place. Under the agreement, if RMA fails to make payment to policyholders, Radian Guaranty will make the payment, and vice versa. The obligations of both parties are unconditional and irrevocable, though any payments are subject to regulatory approval.

RATINGS RATIONALE -- RADIAN GROUP

Radian Group's credit profile is strengthened by the improvement at Radian Guaranty, its lead mortgage insurance subsidiary. However, the group has a meaningful debt burden, and a timing mismatch between the maturity profile of the debt and Radian Guaranty's ability to pay dividends to Radian Group. Radian Group has approximately \$645 million and \$700 million in senior unsecured, and convertible debt due in 2017 and 2019, respectively, and because of the statutory requirement to build up its contingency reserve, Radian Guaranty is not expected have

dividend capacity within that timeframe. In addition, the group has an outstanding dispute with the IRS, which, if not settled in Radian's favor, could result in a meaningful outflow of funds from the holding company. To reflect the risk inherent in the material amount of debt due by 2019, and the ongoing IRS tax dispute, the senior unsecured debt is rated four notches below the IFS rating of Radian Guaranty, which is one notch wider than the standard three notches.

Moody's outlook for Radian Group's B2 senior debt rating is stable, and reflects the group's recent access to capital markets on favorable terms, and the improving credit profile of Radian Guaranty. However, the stable outlook also reflects the uncertainty about the group's ability to reach a favorable resolution of the disputed IRS tax matters, and its ability to convert its convertible debt into equity, or to refinance its senior debt on reasonable terms.

RATING DRIVERS

Moody's noted that the following factors could lead to an upgrade: 1) Improved capital adequacy, sufficient to ensure comfortable compliance with the PMIER requirements, when finalized, either through an appropriate form of risk-transfer or contribution of additional capital; 2) Increased certainty about the range of potential outcomes in the group's tax dispute with the IRS; 3) Greater clarity about Radian Group's ability to restructure its debt maturity profile to better match Radian Guaranty's expected dividend capacity.

The following factors could lead to a downgrade: 1) significant, adverse development in Radian's insured mortgage portfolio; 2) Radian's inability to meet PMIER requirements within the allowed transition period or; 3) a deterioration in Radian Group's ability to meet its debt service requirements over the next few years.

Moody's also noted, that an upgrade of Radian Group's B2 senior debt rating is unlikely, until there is more clarity about the group's ability to refinance its debt.

RATINGS RATIONALE -- RADIAN ASSET

According to Moody's the sale of Radian Asset to AGC has a positive impact on its credit profile and IFS rating. On completion of the merger with AGC, Radian Asset's policyholders have become policyholders of AGC, and their rights rank pari passu with existing AGC policyholders. Therefore, all outstanding bonds insured by Radian Asset will now carry AGC's A3 rating.

LIST OF RATING ACTIONS

The following ratings have been upgraded, with positive outlook:

..Issuer: Radian Guaranty Inc.

.Insurance financial strength rating to Ba1;

..Issuer: Radian Mortgage Assurance Inc.

.Insurance financial strength rating to Ba1;

The following ratings have been upgraded, with stable outlook:

..Issuer: Radian Group Inc.

.Senior unsecured debt to B2,

.Senior unsecured shelf to (P)B2,

.Senior subordinate shelf to (P)B3;

.Subordinate shelf to (P)B3,

.Preferred shelf to (P)Caa1,

.Preferred non-cumulative shelf to (P)Caa1,

The following rating has been upgraded, with negative outlook, and will be subsequently withdrawn:

..Issuer: Radian Asset Assurance Inc.

.Insurance financial strength rating to A3.

Moody's will be withdrawing the rating of Radian Asset because it will no longer exist as a separate entity after the merger into AGC. Please refer to Moody's Investors Service's Withdrawal Policy, which can be found on our website, www.moodys.com.

Radian Group Inc. is a US-based holding company that owns a mortgage insurance platform comprised of Radian Guaranty, Radian Insurance and Radian Mortgage Assurance. The group also has investments in other financial services entities. As of December 31, 2014, Radian Group had approximately \$6.9 billion in total assets and \$2.1 billion in shareholder's equity.

The methodologies used in these ratings were Moody's Global Methodology for Rating Mortgage Insurers published in December 2012, and Financial Guarantors published in January 2015. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

TREATMENT OF WRAPPED TRANSACTIONS

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's methodology "Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts" (March 2015).

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by Radian Asset are upgraded to A3, except those with A3 and higher published underlying ratings (and for structured finance securities, except those with A3 and higher published or unpublished underlying ratings). The A3 cutoff reflects Moody's opinion that Radian Asset policyholders rank *pari passu* with Assured Guaranty Corp.'s (IFS at A3) policyholders subsequent to the merger of the two entities.

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