

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's upgrades Radian Group's senior unsecured debt to B1, with positive outlook

Global Credit Research - 25 Jun 2015

New York, June 25, 2015 -- Moody's Investors Service, ("Moody's") has upgraded the rating of Radian Group Inc.'s (Radian Group) senior unsecured debt to B1, with positive outlook.

Today's rating action concludes Moody's review of Radian Group's ratings for upgrade, and was prompted by the announcement by Radian Group (NYSE: RDN), that it has completed its offering of \$350 million of 5.25% Senior Notes due in 2020, and entered into agreements to purchase an aggregate of \$389 million principal amount of its Convertible Senior Notes due in 2017.

Moody's stated that the debt issuance is credit positive for Radian Group because it meaningfully improves the holding company's debt maturity profile and better aligns it with the expected timing of dividend capacity from its subsidiaries. Moody's added, that while the debt issuance is also positive for Radian Guaranty Inc. (Radian Guaranty -- insurance financial strength Ba1, positive), the group's lead mortgage insurance subsidiary, the company has not yet implemented its plan to attain compliance with the private mortgage insurer eligibility requirements (PMIERS).

RATINGS RATIONALE

The upgrade reflects Moody's view that the debt issuance meaningfully improves the holding company's debt maturity profile and relieves near-term liquidity pressure on the group as it balances holding company debt maturities with the capital needs of Radian Guaranty. In addition, Moody's noted that the less onerous final PMIERS reduced the amount of additional capital required at Radian Guaranty, further relieving the demand on holding company liquidity resources. As a result of this rating action, Radian Group's senior unsecured debt rating now reflects Moody's standard notching for insurance ratings, and is three-notches lower than the insurance financial strength rating of its lead mortgage insurance subsidiary, Radian Guaranty.

Moody's noted that the successful completion of the debt issuance and repurchase provides the group with additional flexibility in balancing debt maturities and capital contributions to Radian Guaranty. As of April 1, 2015, Radian Group reported approximately \$707 million in available cash and liquid investments, with approximately \$646 million and \$700 million in senior unsecured, and convertible debt due in 2017 and 2019, respectively. Due to the statutory requirement to build up its contingency reserve, Radian Guaranty is not expected to have any dividend capacity within that timeframe. Following the debt refinancing, Radian Group will have approximately \$257 million and \$700 million in debt due in 2017 and 2019, respectively, followed by \$350 million in senior notes due in 2020.

Moody's outlook for Radian Group's B1 senior debt rating is positive, and reflects the group's recent access to capital markets on favorable terms, and the improving credit profile of Radian Guaranty, its lead mortgage insurance subsidiary.

RATING DRIVERS

Moody's noted that the following factors could lead to an upgrade: 1) Improved capital adequacy, either through an appropriate form of risk-transfer or contribution of additional capital, sufficient to ensure comfortable compliance with the PMIERS requirements; 2) Increased certainty about the range of potential outcomes in the group's tax dispute with the IRS.

The following factors could lead to a downgrade: 1) significant, adverse development in Radian's insured mortgage portfolio; 2) Radian's inability to meet PMIERS 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.

LIST OF RATING ACTIONS

The following ratings have been upgraded, with positive outlook:

Issuer: Radian Group Inc.

- ..Senior unsecured debt at B1, from B2;
- ..Senior unsecured shelf at (P)B1, from (P)B2;
- ..Senior subordinate shelf at (P)B2, from (P)B3;
- ..Subordinate shelf at (P)B2, from (P)B3;
- ..Preferred shelf at (P)B3, from (P)Caa1;
- ..Preferred non-cumulative shelf at (P)B3, from (P)Caa1.

The principal methodology used in these ratings was Mortgage Insurers published in April 2015. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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 March 31, 2015, Radian Group had approximately \$6.8 billion in total assets and \$2.2 billion in shareholder's equity.

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