

ISSUER PROFILE

13 December 2017

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Radian Guaranty Inc.

Key Facts and Statistics - FYE Dec 2016

Company overview

Radian Guaranty Inc. (Radian Guaranty), based in Philadelphia, PA, is a monoline mortgage guaranty insurance company licensed to write business in 50 US states, the District of Columbia and Guam. Radian Guaranty is the main mortgage insurer and a principal operating subsidiary of its holding company, Radian Group Inc. (Radian Group, NYSE: RDN). Radian Group conducts its mortgage insurance business primarily through Radian Guaranty.

On 30 June 2014, Radian Group acquired Clayton Holdings LLC (Clayton), a Delaware-domiciled provider of outsourced mortgage solutions. Clayton serves as a complement to Radian Group's existing mortgage-related products and services. In connection with the acquisition, Radian Group introduced a new reporting segment called Mortgage and Real Estate Services (MRES).

For the financial year ended 31 December 2016 (2016), Radian Group reported net income of \$308.3 million, while its mortgage insurance segment reported new primary insurance written of \$50.5 billion. As of 31 December 2016, Radian Group posted a combined ratio of 44.9% and Radian Guaranty reported statutory surplus of \$1.3 billion. The group reported adjusted pretax operating income of \$541.8 million.

Radian Guaranty's predecessor company, Commonwealth Mortgage Assurance Company (CMAC), was established in 1977. The holding company Radian Group, in its present form, was established in 1999, through the merger of Amerin Corporation into CMAC Investment Corporation.

Source: Company reports (form 10K Dec 2016, Dec 2011 and Dec 2008), Company data, Moody's Investors Service research

Financial highlights

Overview

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Radian Guaranty Inc., please see <[Radian Guaranty Inc. page on moodys.com](#)>

Exhibit 1

Latest full-year results

Radian Group Inc.

(in \$ Million)	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12
New Insurance Written	50,530	41,411	37,349	47,255	37,061
Total Primary Insurance in Force	183,450	175,584	171,810	161,240	140,363
Total Primary Risk in Force	46,741	44,627	43,239	40,017	34,372
Net Premiums Earned	922	916	845	781	702
Net Income	308	287	960	(197)	(452)
Expense Ratio (%)	22.7	23.7	28.2	36.6	28.7
Loss Ratio (%)	22.2	21.7	29.1	72.0	131.2
Combined Ratio (%)	44.9	45.4	57.3	108.6	159.9
Statutory Surplus	1,350	1,687	1,325	1,318	926
Total Assets	5,863	5,642	6,842	5,606	5,895
Long-term Debt	1,070	1,220	1,192	914	655

Notes: 1) Consolidated figures are considered

2) Expense ratio represents expense ratio as a percentage of net premiums earned

3) Information based on GAAP financial statements of Radian Group Inc. as of fiscal year-end 31 Dec

4) Statutory surplus as reported by Radian Guaranty Inc.

Source: Company reports (form 10K Dec 2016, Dec 2015 and Dec 2014)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Business description

Private mortgage insurance, Radian Guaranty's principal product, is a form of credit enhancement that facilitates the sale of low-down-payment mortgages in the secondary mortgage market to the government-sponsored enterprises (GSEs) – the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). It also reduces the regulatory capital that depository institutions are required to hold against low-down-payment mortgage assets. In general, the GSEs require primary mortgage insurance or other specified credit enhancements for single-family mortgages with loan-to-value ratios above 80% at the time of purchase. If a borrower defaults on a loan, private mortgage insurance reduces the losses to a lender or investor.

Radian Group also provides MRES services through Clayton and its subsidiaries (Green River Capital, Red Bell and ValuAmerica). Solutions include information and services that financial institutions, investors and government entities use to evaluate, acquire, securitize, service and monitor loans and asset-backed securities.

Primary insurance

When a mortgage loan defaults, primary insurance covers a percentage of the claim amount, which is composed of unpaid loan principal, delinquent interest and certain expenses. In general, Radian Guaranty pays lenders the specified coverage percentage of the claim amount. Radian Guaranty can also opt to pay 100% of the claim amount and acquire title to the property. Primary insurance is generally written on first-mortgage loans secured by owner-occupied single-family homes, as well as on first liens secured by non-owner-occupied single-family homes. The GSEs are the major purchasers of the mortgage loans that Radian insures. As of 31 December 2016, primary insurance comprised approximately 98% of Radian Guaranty's direct first-lien insurance risk in force (RIF).

Pool insurance

Pool insurance generally includes a stated aggregate loss limit for a pool of loans and may also have a deductible sum under which no losses are paid by the insurer until aggregate loan losses exceed the deductible sum. Pool insurance is typically written to provide credit enhancement to secondary-market mortgage transactions. If the mortgage loan requires primary insurance and the defaulted loan exceeds the claim payment under the coverage, the loss is covered by pool insurance. It also covers the total loss when a defaulted mortgage loan did not require primary insurance. Radian Guaranty stopped issuing new commitments for pool insurance in 2008. As of 31 December 2016, pool insurance comprised approximately 2.0% of Radian Guaranty's total direct first-lien insurance RIF.

In bulk transactions, each loan in the portfolio is insured to specified levels of coverage. The mortgage insurer evaluates the overall risk of insured loans to determine the premium, which is a composite rate and is applied to all loans in the transaction. It is negotiated with the securitizer/owner of the loans.

Source: Company reports (form 10K Dec 2016, Dec 2014 and Dec 2012), Moody's Investors Service research

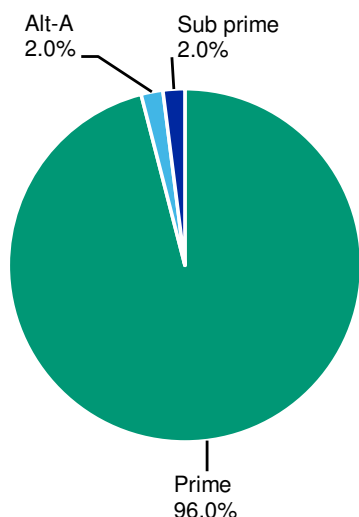
Product segments

As of 31 December 2016, Radian Guaranty's mortgage insurance portfolio comprised loans with the following characteristics: Prime 96.0%, Alt-A 2.0%, and Subprime 2.0%. Furthermore, the new insurance written for 2016 was comprised of 73% monthly premiums and 27% single premiums.

Radian Guaranty charges higher premium rates for higher coverage percentages. In addition, premium rates are influenced by the perceived risk of a claim on the insured loan, measured by factors such as the loan-to-value ratio and the Fair Isaac Corporation (FICO) score.

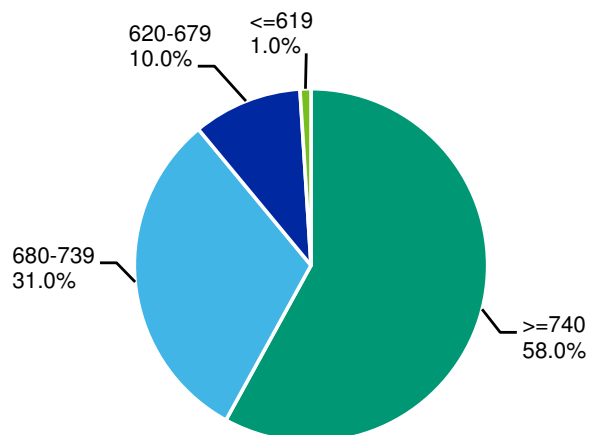
Source: Company reports (form 10K Dec 2016 and Dec 2014), Moody's Investors Service research

Exhibit 2
Primary RIF distribution, by loan grade
 (in %, as of 31 December 2016)



Source: Company report (form 10-K Dec 2016, Pg: 93)

Exhibit 3
Primary RIF distribution, by FICO score
 (in %, as of 31 December 2016)



Source: Company report (form 10-K Dec 2016, Pg: 93)

Ownership structure

Exhibit 4
Organization structure as of 31 December 2016



Source: Company report (10K Dec 2016), Moody's Investors Service research

As of 31 December 2016, Radian Group's major shareholders (with ownership stake of over 5%) were as follows:

Exhibit 5
Radian Group Inc.

Major Shareholders	Number of Shares	% Held*
FMR LLC ¹	19,277,990	8.99
The Vanguard Group ²	16,380,173	7.63
BlackRock, Inc ³	13,792,411	6.40

* Based on shares of common stock outstanding at 31 Dec 2016
 Notes: 1) Based on Schedule 13G/A filed with the SEC on 14 Feb 2017
 2) Based on a Schedule 13G/A filed with the SEC on 13 Feb 2017
 3) Based on a Schedule 13G/A filed with the SEC on 30 Jan 2017

Source: Company report (proxy statement 2017)

Company management

Exhibit 7

Radian Group Inc.

Company Management	Current Title
Richard Thornberry	Radian Group: Chief Executive Officer
J. Franklin Hall	Radian Group: Executive Vice President and Chief Financial Officer
Derek Brummer	Radian Group: Executive Vice President and Chief Risk Officer
Edward J. Hoffman	Radian Group: General Counsel and Corporate Secretary
Catherine M. Jackson	Radian Group: Senior Vice President and Corporate Controller

As of 25 Oct 2017

Company history

Radian Guaranty has been providing mortgage insurance products in the US since the 1977 founding of its predecessor company, CMAC. CMAC Investment Corporation, the holding company and ultimate parent of CMAC, went public in 1992. In 1999, it merged with Amerin Corporation, which owned Amerin Guaranty Corporation (later known as Radian Mortgage Assurance Inc.). Radian Group was established as the surviving corporation of the merger, and currently is the holding company for several mortgage insurance subsidiaries, including Radian Guaranty and Radian Reinsurance Inc.

In 2001, Radian Group entered the financial guaranty market as a result of its acquisition of Enhance Financial Services Group Inc. The financial guaranty company was previously known as Asset Guaranty Insurance Company and Enhance Reinsurance Company, which through a merger formed Radian Asset Assurance Inc. (Radian Asset). In 2008, Radian Asset entered into run-off, and its ownership was transferred, such that it became a wholly owned subsidiary of Radian Guaranty. Radian Guaranty sold Radian Asset to Assured Guaranty Corp., a subsidiary of Assured Guaranty Ltd., for approximately \$810 million in April 2015.

On 30 June 2014, Radian Group acquired Clayton, a Delaware-domiciled provider of outsourced mortgage solutions.

In Q1 2015, Clayton acquired Red Bell, a real estate brokerage, valuation and technology company. Subsequently, in October 2015, Clayton acquired ValuAmerica, a national title agency and appraisal management firm.

Source: Company reports (form 10Q June 2015, form 10K Dec 2016, Dec 2012, Dec 2011, Dec 2010 and Dec 2008), Company data, Moody's Investors Service research

Peer group

- » [Mortgage Guaranty Insurance Corporation](#)
- » [United Guaranty Residential Insurance Co.](#)
- » [Genworth Mortgage Insurance Corporation](#)
- » [Essent Guaranty Inc.](#)
- » [National Mortgage Insurance Corporation](#)
- » [Arch Mortgage Insurance Company](#)

Related websites and information sources

For additional information, please see:

The company's website

- » [Radian Guaranty Inc.](#)

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Moody's related research

Issuer page on Moodys.com

- » [Radian Guaranty Inc.](#)

Credit opinion

- » [Radian Guaranty Inc.](#)

Rating action

- » [Moody's assigns ratings to Radian Group's existing multi-seniority shelf registration](#)
- » [Moody's takes rating actions on six US mortgage insurance groups](#)

Rating methodology

- » [Mortgage Insurers, April 2016 \(189463\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the issuer's page. All research may not be available to all clients.

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