

**Rating Action: Moody's upgrades Radian Group's ratings (senior to Ba2); outlook stable**

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21 Sep 2018

New York, September 21, 2018 -- Moody's Investors Service, ("Moody's") has upgraded the debt ratings of Radian Group Inc. ("Radian Group") (senior to Ba2 from Ba3) and the insurance financial strength (IFS) rating of Radian Guaranty Inc. ("Radian Guaranty") to Baa2 from Baa3. The outlook for the ratings is stable.

**RATINGS RATIONALE**

The upgrade of Radian's ratings reflects the company's improving financial profile, including the firm's progress in reducing its financial leverage and improving its debt maturity profile over the past several quarters. We expect the firm to continue to improve its financial leverage metrics over the next year through organic capital generation in an operating environment that remains favorable for mortgage credit.

According to Moody's, Radian's Baa2 IFS rating and Ba2 senior debt rating reflects its strong position in the US mortgage insurance market, its diverse customer base, its comfortable cushion in its compliance with the GSEs' capital standards (PMIERS) and the firm's improving financial flexibility. These strengths are tempered by the commodity-like nature of the mortgage insurance product, the sensitivity of the mortgage insurance business model to economic conditions and the potential for increased price competition in the US mortgage insurance market.

Radian Group is among the leading US mortgage insurers with a US private mortgage insurance market share of approximately 20%. While recent price reductions among industry participants are expected to reduce the benefits of the lower statutory federal tax rate implemented this year, we believe Radian's profitability over the near to medium term will remain robust, as favorable macro-economic conditions, including low unemployment rates and rising home prices, keep new mortgage loan defaults low.

While Radian Guaranty is currently unable to upstream ordinary dividends to Radian Group, we note that Radian Guaranty's regulator has approved a tax, interest and expense sharing agreement allowing Radian Group to receive cash from its insurance subsidiaries to make interest payments on its outstanding debt and to pay certain corporate taxes and other expenses.

**RATING DRIVERS**

The following factors could result in an upgrade of Radian's ratings: (1) continued improvements in the company's debt laddering structure; (2) adjusted financial leverage in the 20% range; (3) sustained PMIERS compliance with the maintenance of a comfortable capital adequacy buffer; and (4) improved profitability metrics with returns on capital consistent with those of its peers.

Conversely, the following factors could lead to a downgrade of the group's ratings: (1) non-compliance with PMIERS; (2) decline in shareholders' equity (including share repurchases) by more than 10% over a rolling twelve month; (3) deterioration in the parent company's ability to meet its debt service requirements; and (4) adjusted financial leverage above 30%

**Upgrades:**

..Issuer: Radian Group Inc.

....Preferred Shelf, Upgraded to (P)B1 from (P)B2

....Preferred Non-Cumulative Shelf, Upgraded to (P)B1 from (P)B2

....Subordinate Shelf, Upgraded to (P)Ba3 from (P)B1

....Senior Subordinate Shelf, Upgraded to (P)Ba3 from (P)B1

....Senior Unsecured Shelf, Upgraded to (P)Ba2 from (P)Ba3

...Senior Unsecured Regular Bond/Debentures, Upgraded to Ba2 from Ba3

..Issuer: Radian Guaranty Inc.

...Insurance Financial Strength, Upgraded to Baa2 from Baa3

Outlook Actions:

..Issuer: Radian Group Inc.

...Outlook, Changed To Stable From Positive

..Issuer: Radian Guaranty Inc.

...Outlook, Changed To Stable From Positive

Radian Group Inc., through its subsidiaries, provides mortgage insurance and products and services to the real estate and mortgage finance industries. As of June 30, 2018, Radian had shareholders' equity of approximately \$3.2 billion.

The principal methodology used in these ratings was Mortgage Insurers published in May 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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