

FINAL TRANSCRIPT

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RDN - Radian Fourth Quarter 2007 Conference Call

Event Date/Time: Feb. 15. 2008 / 10:00AM ET

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PRESENTATION

Operator

Ladies and gentlemen, thank you very much for standing by. Welcome to the Radian fourth-quarter 2007 earnings call. At this time, all participation lines are in a listen-only mode. Later, there will be an opportunity for questions with instructions given at that time. (OPERATOR INSTRUCTIONS). As a reminder, today's conference call is being recorded.

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After the prepared remarks, Radian management will be happy to take your questions. Please limit yourself to one question and, if necessary, one follow-up. If you have additional questions following the call, please contact Radian directly.

I would now like to turn the conference over to your host, Mr. S.A. Ibrahim. Please go ahead.

S.A. Ibrahim - Radian Group, Inc. - CEO

Thank you, operator. Thank you, everyone, for joining us today. This is S.A. Ibrahim, Chief Executive Officer of Radian. With me here are Bob Quint, Chief Financial Officer; Dave Applegate, President of Radian Guaranty; Steve Cooke, President of our Financial Guaranty business; as well as other members of our management team.

First, let me remind you that any forward-looking statements that we make this morning should be considered in conjunction with the cautionary statements set forth in the Safe Harbor statement included with our webcast slides and the statements contained in our SEC filings.

As always, I will start out by making some opening remarks, followed by Bob Quint with detailed comments on the fourth quarter and full year. Steve Cooke and Dave Applegate will then give more color on Financial Guaranty and Mortgage Insurance. I will then wrap up with some closing remarks prior to taking your questions.

I will begin by commenting on 2007, moving onto our view of what lies ahead, how we're positioned to deal with the near-term challenges and how we are positioning ourselves to benefit when the current cycle moves into a recovery phase.

2007 was, indeed, an extremely challenging year for Radian and the industry. Market conditions have continued to deteriorate since our last update, and we believe that the housing downturn will continue to challenge us during 2008 and into 2009. In financial terms, 2007 was clearly disappointing. In the fourth quarter, Radian reported a net loss of \$618 million and a diluted net loss per share of \$7.74. After the impact of the last two quarters' losses, driven primarily by the C-BASS write-down, credit losses, higher reserves, and marked-to-market adjustments, book value at year-end 2007 was \$35.10. We have a solid investment portfolio of \$6.4 billion, and we have strong claims-paying resources in both our businesses.

Our Mortgage Insurance paid claims in the fourth quarter were in line with our guidance. Our loss reserves continue to increase, reflecting the challenging credit environment, and we ended this year with \$1.3 billion in reserves, which translates into over eight quarters of claims paid coverage. We are at 72% reserved against our exposure to NIMs and 41% reserved against our entire second exposure with about 68% of our exposure to underperforming second deals covered at this point. I must point out that Radian has consistently been raising our reserve level over the last couple of years.

Looking back at the past decade, the Mortgage Insurance industry had to deal with the mortgage environment where the traditional prime loan market eroded, not only as the GSE share declined, but as MI penetration was further impacted by secondary market and portfolio alternatives, such as 80-10-10s. At the same time, nonprime loans began to represent a larger percentage of the market. In response to this, the industry and Radian spent much of the decade venturing outside the prime arena, writing what have turned out to be unprofitable business. Based on these lessons, we are focused on high-quality loans. Transitioning away from the past has not been easy. We have to balance our customer commitments and franchise. At Radian, we have been revising and adjusting our underwriting criteria on an ongoing basis. In mid 2006, we tightened our sub-prime criteria and reduced our Wall Street sub-prime bulk volume dramatically. In 2007, we continued to tighten underwriting standards. These actions underscore Radian's commitment to high-quality loans, and this is of the highest priority for the Mortgage Insurance team, for the corporate team, for me and for our Board.

The changes we made have already had an impact on our business mix. A higher percentage of prime business is one of several positive trends we have seen. Penetration and persistency are increasing. We are adding to our sales force and have seen growth

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in our market share despite rate increases and tough credit guideline modifications. We are excited about these as well as other positive changes being made in our Mortgage Insurance business, and Dave will go into greater detail in just a few minutes.

By focusing on managing our past book of business, improving the quality of our new business, maintaining a strong franchise, and taking actions that improve our financial strength, we aim to position ourselves to participate in and benefit from the attractive Mortgage Insurance environment. While we are disappointed by the S&P downgrade of Radian Guaranty to AA-, we will do everything we can to maintain our AA ratings.

Turning now to our Financial Guaranty business, this business was profitable during 2007, adjusting for the marked-to-market losses. As you will hear from Steve, the fourth quarter was impacted by a difficult environment as the industry received increased scrutiny on its exposure to sub-prime mortgages and the impact of potential ratings downgrades. We have benefited from deliberately limiting mortgage exposure in our Financial Guaranty book, which has a relatively small sub-prime and RMBS exposure. Our view on Financial Guaranty is that we continue to see opportunities in reinsurance and in the direct public finance sectors on which we have historically focused, as well as selective sectors in non-CDO structured finance. We will continue to be disciplined and focus on business that makes sense, even if it means doing less business in the near future.

Before I turn this to Bob, I would like to make one more comment. We are dealing with the near-term mortgage industry challenges as well as taking advantage of new Mortgage Insurance opportunities, which require us to actively prepare for different scenarios. Under some of these scenarios, it is possible that we may need more capital. It is not to protect our ratings, than to ensure greater market confidence.

I will not go into detail about our capital raising initiatives on today's call other than to acknowledge that we have been looking at alternatives. When looking at our capital position, we will have to balance various considerations and do what is in the best interest of our shareholders. Meantime, we continue to believe that we are adequately capitalized in both of our businesses at this time.

In addition to the value of our Mortgage Insurance business, when considering the value of our company, we think it's important to also consider the significant embedded value within our Financial Guaranty business as well as our ownership stake in Sherman. Just to give you some numbers on the Financial Guaranty business, we have qualified statutory capital of \$1.6 billion, plus an additional substantial amount of combined unearned premiums and present value of future installment premiums, and on top of that, we have marked-to-market reserves that we expect to reverse over time.

And now, with that, I will turn over to Bob.

Bob Quint - Radian Group, Inc. - EVP and CFO

Thank you and good morning. For this quarter, I will be updating you on many of the unusual items that impacted our financial statements in the third quarter as well as going over the highlights of the normal P&L activity.

The first item is the C-BASS situation. In the third quarter, we wrote off our entire \$468 million equity investment and left the \$50 million demand note on the balance sheet because we believed it would be collectible. The collectibility of the note has become more uncertain and likely won't be known for several years, but regardless of that, based on the equity method of accounting, a full write-off of the note is necessary due to the fourth quarter operating loss from C-BASS that has further impaired its equity. The \$50 million write-off is located in the equity and affiliates line in our income statement. We have no further exposure to C-BASS.

Next is the NIMs marked-to-market. As of September 30th, we have booked \$432 million of negative marks, which included \$372 million of projected claim payments. The risk in force at September 30 was \$712 million. Since then, our risk has been reduced by another \$108 million to \$604 million at year end '07, and was down by another \$13 million to \$591 million in January.

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The updated balance sheet mark on the NIMs is \$434 million, and importantly, projected claims have not changed materially since our third-quarter expectation. With total risk in force at year end of \$604 million, our derivative liability is 72% of our total exposure. There is no further exposure beyond that.

The next item is second liens. The premium deficiency, necessary because future projected losses and expenses are greater than future expected premiums booked in the third quarter of \$155 million, had an expectation of approximately \$300 million of present value of future credit losses along with future premiums and expenses. An updated projection at 12/31 is a net increase in the PDR on the balance sheet of \$41 million to \$196 million, and that's mostly due to an update of the projected present value of future losses to \$378 million. The risk in force on second liens is \$925 million at 12/31 and Dave will go into more detail about that expenditure.

Our traditional MI business loss provision reflects the higher delinquencies in claims that occurred this quarter. Our paid claims came in at \$165 million, right on our previously forecasted number, consisting of \$136 million of first liens and 29 million of second liens. Looking forward into 2008, due to deteriorating default experience in the fourth quarter and a continuation of claim rate increases, we now expect that claims paid will be approximately \$200 million in the first quarter and in the \$1 billion range for the year. Both of these numbers include second lien loss payments.

The very large increase in delinquencies, combined with roll-rate adjustments and larger loan balances have required us to book an increase to the loss reserve of \$465 million for the quarter, which brings our provision for losses for the fourth quarter to \$630 million. This reserve change keeps our reserve levels very strong by any measure. We have been consistent in keeping reserves strong. In any kind of stress scenario, we expect substantial recoveries from both captive and Smart Home reinsurance.

On a previous call, we estimated the recoveries in one stress scenario at \$270 million, all of which would occur after 2008. Recoveries in a more severe stress would be significantly higher. Flow premiums earned have continued to grow over the near-term, which reflects the flow insurance in force growth due to good penetration and persistency, which has gotten up into the low 80s. Remember, last quarter had a \$17 million positive adjustment that impacts the comparison to this quarter. Dave will be talking about our mix of business, which has clearly improved recently.

Financial Guaranty results this quarter reflect another increase to the allocated nonspecific reserves of \$50 million for the transaction that was discussed on our Financial Guaranty call in September. This deal, which was originated in 2003, has a total maximum exposure of \$100 million, and it is now 100% reserved for. The net marked-to-market adjustment in Financial Guaranty for the quarter is \$397 million, which includes \$289 million related to the corporate CDO portfolio that we do not believe has credit losses embedded in it. As such, we expect this mark to turn around over time or when spreads tighten.

Another \$120 million is related to other derivative transactions, including a small number of AAA CDOs of ABS and CMBS. Because this number was more difficult to determine and utilized more judgment due to a lack of market-observable indices, it is subject to possible adjustment.

The Financial Guaranty marked-to-market loss is GAAP only and has no impact on Radian Asset's claim paying resources for regulatory purposes or rating agency purposes.

The domestic Mortgage Insurance CDS business had a further negative mark this quarter of \$45 million, and the current marked-to-market at year-end is a negative \$87 million. The total exposure on this business is \$212 million. And based on our observations of deal performance to date, we expect the \$32 million of this risk will likely be a credit loss, \$48 million could potentially be a credit loss and \$132 million will likely not be a credit loss. These deals are domestic RMBS swaps rated between BBB and single-A, and range from May '05 vintage to January '06 Vintage, with the majority of exposure from 2005 vintage production.

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The international CDS had a positive mark for the quarter of \$2 million. Although the notional exposure on this business is very high at \$8.2 billion, please remember that Radian's attachment point is super AAA, and we see no reasonable scenario in which we would incur any credit losses in this exposure. In both deals, our attachment point is over 10 times expected losses.

Sherman performed well in a difficult environment this quarter. Sherman has an option to acquire our remaining interest and we will continue to evaluate Sherman as a potential source of additional capital. With expenses containing several unusual items in 2007, we have looked at a potential run rate for the expense line, and that's Policy Acquisition and Other Operating Expenses, into 2008, and as I stated on the third-quarter call, we expect that number to be in the \$80 million range per quarter on a consolidated basis. This number reflects a number of expense reductions that have already taken place, along with certain MI initiatives that Dave will talk more about.

Our liquidity position remains strong. Cash flow for the fourth quarter and for the year was positive and none of the unusual items that have created losses for the quarter and the year represent immediate liquidity events. The C-BASS impairment and spread-related marked-to-market movement will never be a direct liquidity event. Radian's capital position was bolstered by \$100 million contribution made to Financial Guaranty last quarter and the \$278 million cash proceeds from Sherman received last quarter.

Our common stock dividend requirement is minimum. That being said, as S.A. mentioned, the depth of the current cycle is unknown and we are actively evaluating our alternatives in case capital is required at some point in the future to support the existing and prospective risk in our MI business. We continue to have \$200 million available under our existing credit line, although we have no plans to draw that money down.

Our MI risk to capital is 14.4 to 1 at 12/31/07. However, if we exclude the super AAA international credit default swaps, which need very little capital to support that risk, the risk to capital is 11.6.

We are constantly in contact with the rating agencies regarding our capital adequacy. At year end, the total statutory surplus, which includes contingency reserves, in our Mortgage Insurance business, is \$2.9 billion, and we have another \$1.5 billion in loss reserves. Due to deteriorating market conditions, you should no longer rely on our projection of ultimate losses presented in our September 5 investor presentation or the loss ratio projections presented in our third quarter 10-Q. We now believe that losses will exceed those projections, although it is unclear to us at this point by how much, given the prevailing uncertainty in the market. We continually look at a variety of reasonable stress scenarios, and in each case, we have ample claims paying ability.

Our investment portfolio did exactly what it was meant to do in a stressed environment. Its extremely safe credit profile, emphasis on liquidity and our policy of not investing in residential mortgages has proven sound and the value of our portfolio has held up very well this year. As S.A. said, our current book value stands at \$35.10, and that includes a substantial derivative liability in our Financial Guaranty business that we expect to turn around over time.

I would now like to turn the call over to Steve Cooke, President of our Financial Guaranty business.

Steve Cooke - Radian Group, Inc. - President, Radian Asset Assurance, Inc.

Thank you, Bob. In keeping with what my colleagues have been saying, these are certainly unprecedented times in the Financial Guaranty insurance industry. Throughout it all, our goal has been to continue to demonstrate that we are a well capitalized business on a stand-alone basis with stable ratings and limited exposure to vulnerable asset classes. As we've said in the past, we continue to pursue strategic alternatives which could potentially further enhance the value of our Financial Guaranty business. We believe we have more than adequate capital when viewed in light of our outstanding exposure.

Production levels have been impacted by uncertainty and were less than optimal in the fourth quarter due to overall market concerns about sub-prime exposures as well as specific concerns about the Financial Guaranty insurance industry. As Bob

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mentioned earlier, the net marked-to-market adjustment from Financial Guaranty was \$397 million, much of which is related to our synthetic investment-grade corporate CDO exposure. While the impact of the adjustment on the 2007 financial statements is significant, it is important to remember that virtually this entire amount is a result of the widening of credit spreads tied to the downturn in the credit markets and not due to deterioration in the credit quality of this portfolio or erosion of underlying collateral. Provided the credit quality remains as strong as it has to date, Radian Asset will realize marked-to-market gains in the future as these CDO transactions mature.

We continue to vigorously monitor all segments of our insured portfolio, with a particular emphasis on our non-CDO RMBS portfolio and on our CDO portfolio with a particular emphasis on our CDO of ABS exposure and CDO of CMBS exposure.

Let me spend some time focusing on our CDO of ABS portfolio. As you may remember from our third-quarter earnings call, we have exposure on only three direct CDO of ABS transactions and one assumed CDO of ABS transaction, with that one assumed transaction having a net par outstanding of approximately \$1 million. As Bob mentioned earlier, with respect to one of those transactions, our only direct market value transaction, that we referred to on our third-quarter earnings call and on our earlier Financial Guaranty investor call, we are now 100% reserved. With respect to the two other transactions, for one, no credits were downgraded or placed on negative watch by Moody's or S&P between July 2007 and January of this year.

In the other, 22 credits were downgraded during that same period, representing \$114.3 million out of a total collateral pool of \$625.9 million, with subordinations equaling \$125.8 million. Remember that subordination has not eroded until there is a credit default as opposed to only a downgrade.

A word about our assumed CDO exposure. Although our assumed CDO portfolio only constitutes \$1.8 billion or 4% of our total CDO portfolio, we have spent considerable time analyzing data from the companies from whom we assume the business to provide you with more granularity concerning that exposure. Based on our review of approximately 398 credits, two deals are on our Intensified Surveillance List, totaling \$15.3 million in net par outstanding and three deals totaling \$1.5 million in net par outstanding, all on our case reserve list. CDOs and CLOs of high-yield corporate names constitute almost 60% of the assumed CDO portfolio. Both the assumed CDOs and CLOs have performed well to date. The CLOs are supported by loans to large, high-yield corporations in middle market companies. We expect any potential future deterioration in credit quality to be mitigated by our senior position as a capital structure.

However, it still remains the case that more than 80% of our entire CDO portfolio is synthetic investment grade corporate CDO exposure, all of which attaches the AAA level or higher with an average attachment point of 2.4 times the AAA level and a weighted average tenure of 5.8 years. 75% have attachment points of at least two times the AAA level. On an outstanding notional basis, at least 91%, down slightly from 95% at the end of the third quarter, of the CDO transactions we have insured, that's assuming a typical portfolio of 100 to 150 referenced corporate entities, can sustain at least 15 defaults using a standard 30% recovery assumption of without Radian Asset having to incur a loss. What remains clear is that each of these segments continue to retain overall credit quality without any evidence of material credit deterioration.

We believe that the AA niche will continue to provide meaningful business opportunities going forward. It is a niche in which we have operated successfully by design over many years and we hope to continue to do so in the future.

I would like to turn the call now over to my colleague, Dave Applegate.

Dave Applegate - Radian Group, Inc. - President, Radian Guaranty, Inc.

Thank you, Steve. Good morning. Although these are clearly challenging times, I can assure you I am pleased to be here at Radian. And the long-term potential of this business is significant, and I look forward to reporting better performance in the future.

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The Q4 performance, \$335 million was the total after-tax loss. And the full-year loss for MI was \$693 million after-tax. Bob did a very thorough job explaining the financial charges on our NIMs, the second lien deficiency and CDS, but I do want to update you briefly on those.

As a reminder, we have reserved \$434 million of what is now at the end of January, \$591 million risk in force. On the second liens, we have total risk in force of \$925 million. We have a very seasoned risk in force book of \$451 million that is performing well and which we have few concerns over. Unfortunately, as we have stated before, we have risk in force of \$473 million concentrated with two originators that is performing poorly. We have now put up reserves of \$323 million against these books for total coverage against risk in force of 68%. Although not insignificant in terms of exposure, we have a clear sizing of the box in these sectors.

Now, turning to our fourth-quarter reserve buildup, in Q4, we added \$465 million in reserves, pushing our total reserve position against our primary risk in force and pool policies to \$1.2 billion. The reserve buildup reflects an update to our roll to loss ratios. Cure rates have clearly dropped, and loans are moving more quickly to late stage default with less probability of recovery.

In addition, in Q4, we experienced a large increase in overall defaults. Defaults on our primary book increased 20%. The default rate now stands at 6.8%.

Some specific drivers of our uptick in defaults -- California and Florida make up 18% of our primary risk in force, but accounted for a 37% increase in defaults in Q4. These markets are clearly seeing rapid declines in property values. On Alt-A, which makes up 18% of our risk in force, it accounted for a 41% increase in our defaults. 31% of our Alt-A risk in force is in California and Florida. These sectors are driving a material portion of our underperformance, but it is fair to say that a majority of the country is seeing some level of weakness. From a vintage prospective, 2006 is performing poorly, and as noted before, but the first half of 2007's originations are also weak. In particular, we've focused on above 95 LTVs.

On the bright side, the rate of decay in the auto states and our primary sub-prime book is slowing. The clear underlying driver of weakness is sliding property values. Property values are likely to fall 6 to 8% nationally in 2008. Falling home prices combined with liberal credit have magnified exposure. We are clearly changing what we can control. In Q3, we made some significant changes in our Alt-A guidelines, restricting various combinations of low doc and high LTV loans. Those changes, our corporate-wide focus on prime business and the industry shift to better credit are having a positive impact.

At year end, our primary risk in force is stratified as follows, and is very consistent with the industry as a whole. Total primary risk in force of \$31.6 billion is broken out 72% prime, 18% Alt-A and 10% A-minus or sub-prime.

Actions we took in Q3 started to have an impact on our Q4 mix. In Q4, we added primary risk of \$3.4 billion, of which 77% was prime, 16% Alt-A, 7% A-minus sub-prime. We classify a streamlined doc program with one of our premier clients as Alt-A. This book has no defaults for '07 and has a 740 average FICO score. If we classify that as prime, the mix percentage of Q4 improves to 87% prime.

In Q4, we announced additional guideline restrictions that went into effect on February 4, that further contracted LTVs. The most important part of these changes is the implementation of a declining market policy. In any region of the country with over a quarter decline in value based on the most recent [OFAO] data, we reduced the maximum LTV by 5%. Based on our process, approximately 60% of the country is experiencing declines and we are reducing risk by reducing LTVs. We are reviewing our own loan performance and tightening industry credit trends and we will be making further changes to our guidelines in the next 30 days.

We have also announced a series of price changes that will go into effect on April 1st. The goal of our price and guideline changes is to improve our risk reward posture and generate appropriate returns on new business. On the existing risk in force, we have made and are making numerous investments in loss litigation mitigation. We are increasing our direct-mailing campaigns and have partnered with a community service group to contact our borrowers to increase borrower information flow. We are making

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enhancements to our website to educate consumers on their financial options, and, most importantly, Radian is expanding staff to more effectively manage workout options. We are also placing staff on-site with our servicer partners to improve communication and work flow to act quickly to reduce loss exposure.

We recently launched a unique strategy called Fast Advance, where we advance to the servicer up to 15% of the claim amount to invest in a rate buydown, short sale or loan modification to cure a defaulted loan. In these turbulent times, we are moving aggressively to reserve capital and increase communication with our clients and partners.

On that front, we have routine dialogue with Fannie and Freddie, keeping them informed of loss litigation strategies, capital accuracy and guideline changes. They have made it clear to us that they are very supportive of our actions and are committed to a strong partnership which is in our mutual best interests. In addition, we are supportive of Freddie Mac's recent announcements overall and their specific rule change which caps the ceding level at 25% on lender partner captive risk sharing agreements. A lower cede will help us build capital faster. On a related note, one of our more prominent clients has decided not to place new business in their captive.

Turning to some additional positive developments, quickly changing markets do create opportunities. MI penetration reached 18% in Q4 and Radian's market share in Q4 improved slightly versus the previous quarter to 15%. We are expanding our sales force and are increasing our services to clients to build a client value proposition that will allow us to grow quality share in the future. We will not sacrifice quality for growth, but we do see opportunities and we want to expand our presence with our clients to partner with them at this critical crossroad.

S.A. Ibrahim - Radian Group, Inc. - CEO

Thanks, Dave. I want to include by saying that we've come to a difficult year and the environment continues to be very challenging. These challenges will remain with us for the near future and may well intensify before they abate. Our book value is \$35.10 as we said before and this does not include any upside from the future reversal of marked-to-market adjustments, the value of unearned and contracted premiums and the opportunity to write profitable new business. At the same time, future losses and marked-to-market adjustments would negatively impact our book value. Our claims-paying resources in both business segments are strong, and we stand to benefit from a profitable and well-capitalized Financial Guaranty business.

With that, operator, we are now ready to start questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Ron Bobman, Capital Returns.

Ron Bobman - Capital Returns - Analyst

Everybody must be sleeping in this morning for me to be the first of the line. I had a question about the MI business and the captive balances. You provided us sort of the distribution of prime, Alt-A, and A-minus/sub-prime for risk in force as well as, I think, sort of new business risk in force writings. I'm curious to know, with respect to the book of business, your MI book of business that's subject to captive protection and recoverables, how that split up between the relative books of business, prime, Alt-A and A-minus?

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Bob Quint - Radian Group, Inc. - EVP and CFO

Most of the captive reinsurance is on our prime business. So there is -- I would say the majority of the captive business is on our prime business. The majority of the Smart Home is on sub-prime and then secondary or Alt-A.

Ron Bobman - Capital Returns - Analyst

Would you mind reminding me or teaching me what you mean by Smart Home?

Bob Quint - Radian Group, Inc. - EVP and CFO

Smart Home is a capital markets reinsurance transaction that we did in '05 and '06. So it's essentially reinsurance on a portion of our sub-prime portfolio.

Ron Bobman - Capital Returns - Analyst

Okay. Being closer to these counterparties than presumably anyone else on the call, are you hopeful or expecting Fannie to follow Freddie's sort of amendments with respect to limiting or eliminating the deep-cedes as well as the A-minus, AA-minus threshold abeyance?

Dave Applegate - Radian Group, Inc. - President, Radian Guaranty, Inc.

This is Dave Applegate. Fannie Mae, I'm sure, will take that under consideration. It would be difficult to speculate on exactly what they would do. We certainly are pleased with what Freddie has done to date.

Operator

Ross Levin, Arbiter Partners.

Ross Levin - Arbiter Partners - Analyst

Two questions. First of all, with respect to the marked-to-market on the guaranteed CDO portfolio, there's been something of a, I guess, considerable move in terms of the corporate credit spreads and the sort of prices at which corporate CDO exposure and the AAA tranche is trading since December 31. If you could just give us a little bit of guidance or an understanding of where that might lead to lead you in terms of a marked-to-market, that would be very helpful. And also, I know that you probably noticed that your competitor took a premium deficiency reserve against bulk transactions. What they referred to as Wall Street bulk transactions. Are you guys looking at taking some sort of a premium deficiency reserving against other segments of the book beyond the seconds?

Bob Quint - Radian Group, Inc. - EVP and CFO

I'll take the second question first. With regard to premium deficiency, last quarter, we took a premium deficiency on our second lien business because we deemed that business to be a separate line that was separately sold and measured. With regard to 2006 and 2007 vintage Wall Street securitization, we really did very little of that business. Instead, we took risk on those deals to our NIM guarantees, which we have taken marks on throughout 2007. So we do not contemplate any other kind of segregation of our book with regard to premium deficiency.

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With regard to spreads, obviously, at the end of the first quarter, we will take into account the then prevailing spreads in determining our marked-to-market on all of our business.

Ross Levin - *Arbiter Partners - Analyst*

Okay.

Operator

Mike Manasse, Bear Stearns.

Mike Manasse - *Bear Stearns - Analyst*

Just a question on the bulk production you guys had in the fourth quarter. Can you just talk a little bit about that? It looks like you guys wrote about \$3 billion of bulk. And just wanted to understand kind of what's the strategy there? Kind of what sort of pricing were you looking at and what we can expect from that channel in the future. Thanks.

Dave Applegate - *Radian Group, Inc. - President, Radian Guaranty, Inc.*

This is Dave Applegate. Overall, I think we're going to see a decrease in the amount of bulk transactions. The bulk transactions we've been doing, we're definitely seeing a significant improvement in credit quality, and we've been able to adjust our pricing, obviously, quickly on bulk versus our other published pricing. So the mix is improving. Overall, we think it will decline as a percentage of business, but the returns are forecast to be pretty attractive.

Mike Manasse - *Bear Stearns - Analyst*

So I mean as far as -- do you also have a breakdown of the risk in force by vintage year for structured? I'm just curious to know like what percentage of the structured book is like post '05, for example.

Bob Quint - *Radian Group, Inc. - EVP and CFO*

We could get you that.

Mike Manasse - *Bear Stearns - Analyst*

Okay.

Bob Quint - *Radian Group, Inc. - EVP and CFO*

We can do it in a follow-up. We definitely have it. We just don't have access to it at the moment.

Mike Manasse - *Bear Stearns - Analyst*

Okay, thanks.

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Operator

Mike Grasher, Piper Jaffray.

Mike Grasher - Piper Jaffray - Analyst

Thank you. Good morning, gentlemen. Bob, I may have missed this in your opening remarks, but did you mention any expected impairment on your marks to date?

Bob Quint - Radian Group, Inc. - EVP and CFO

Which ones, Mike?

Mike Grasher - Piper Jaffray - Analyst

Across the board. The marks on the derivatives in particular?

Bob Quint - Radian Group, Inc. - EVP and CFO

Well, they were all updated -- all of our marks have to be updated every quarter, so the current marks are updated for year end. The NIMs mark really didn't change essentially; it was very, very close to what it was at the third quarter. The marks on the CDS and MI went up and the marks on the Financial Guaranty business went up -- the negative marks went up substantially, but as we mentioned, was mostly spread related as compared to any kind of credit impairment.

Operator

Rajiv Patel, Sinova Capital.

Rajiv Patel - Sinova Capital - Analyst

Just a quick question on your line of credit, the \$200 million which you referenced which you guys haven't even touched. Have the terms of it changed at all if you were to try to draw down on it? Given the different rating agency actions and what's occurred in the market, have the terms with -- which are backing the line of credit, have they changed at all?

Bob Quint - Radian Group, Inc. - EVP and CFO

No, they haven't.

Rajiv Patel - Sinova Capital - Analyst

And so that facility is fully open to you guys currently?

Bob Quint - Radian Group, Inc. - EVP and CFO

It's available, although we have no plans to draw down any more.

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Rajiv Patel - *Sinova Capital - Analyst*

Okay, great. Thanks a lot.

Operator

George [Urban], RBS Greenwich Capital.

George Urban - *RBS Greenwich Capital - Analyst*

Can we just circle back on the loss projections for going on -- now, I think Bob said they were not going to provide projections out. Is there some other metric we could use or something a little less granular? For example, do you think premiums going out in those years would diffuse potential losses given the protections given by Smart Home and captive reinsurers? Is there any kind of thing we can look at?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

Well you know, obviously, there's a lot of uncertainty in the market. So I think at this time, what we are doing is looking at a variety of different stress scenarios. And as we said, we believe our capital will be adequate to pay claims in all of those stress scenarios. What we are not, at the time, we don't have a revised sort of base, anything like that, because of the uncertainty around the near-term future.

George Urban - *RBS Greenwich Capital - Analyst*

And can you just update on the IRS tax payment? Is that --?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

It's still something that we expect to happen, but we have not received notice yet. So it's been sort of pushed forward into some time, likely sometime in '08.

George Urban - *RBS Greenwich Capital - Analyst*

Okay, thanks, Bob.

Operator

(OPERATOR INSTRUCTIONS). [Anan] Krishnan, Forrester Research.

Anan Krishnan - *Forrester Research - Analyst*

I just wanted to follow up on the structured piece of the business. You mentioned you did very little of Wall Street deals in '06. Can you give a sense for your overall structured book -- how much is Wall Street related? And I am also trying to compare your delinquencies in that structured business. It's running at like almost 50% of where MGIC is running, so I just wanted to make sure if all of that is related to you not playing as much on the Wall Street side. Thanks.

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Bob Quint - *Radian Group, Inc. - EVP and CFO*

As we said, with regard to the Wall Street securitization, we really curbed that kind of business in the beginning of '06, so we did very little in '06 and almost none in '07. We did do some of the prior to that, so there is some of that business within our risk in force, but it's generally older vintage.

Operator

[Mark Eyelet], Barclays Capital.

Mark Eyelet - *Barclays Capital - Analyst*

Could you just update us on your cash balance at the hold co. please?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

It's about the same as it was in the third quarter, so something over \$100 million.

Mark Eyelet - *Barclays Capital - Analyst*

Okay, thank you.

S.A. Ibrahim - *Radian Group, Inc. - CEO*

Operator, are there any more questions?

Operator

David Polson, Bear Stearns.

David Polson - *Bear Stearns - Analyst*

Do you have some kind of breakout on how much of your investments are insured by financial guarantors?

S.A. Ibrahim - *Radian Group, Inc. - CEO*

In our investment portfolio?

David Polson - *Bear Stearns - Analyst*

Yes, the investment portfolio. Yes.

Bob Quint - *Radian Group, Inc. - EVP and CFO*

We're getting that for you. About 25% of the portfolio, or about \$1.6 billion.

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David Polson - *Bear Stearns - Analyst*

Do you have an idea of like what the underlying rating is of that portfolio? And is it mostly -- is it almost all munis or --?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

Yes, it is. And the underlying ratings are pretty high. They are 40% plus AAA, 20% Dow, almost another 20% single-A, almost entirely investment-grade.

Operator

Howard Shapiro, Fox-Pitt Kelton.

Howard Shapiro - *Fox-Pitt Kelton - Analyst*

Thank you. S.A., you mentioned earlier in the call that you are comfortable with your capital position, especially relative to rating agency action. Can you just give us a sense, I assumed you've spoken with the rating agencies. What kind of risk to capital level are you comfortable with? What kind of level are they comfortable with? And at least one of them has talked about looking at profitability into 2009 as part of the criteria. So if you are comfortable, can you give us any sense as to what that would mean for 2009? Thanks.

S.A. Ibrahim - *Radian Group, Inc. - CEO*

Thanks, Howard. First, let me talk about these rating agency capital discussions. To date, in our discussions, and, as Bob mentioned, we're in constant communications with the rating agencies. Capital hasn't been the number one issue. Having said that, we have to prepare for an environment where the rating agencies could change the way they view capital in this uncertain environment and we have to look at the different scenarios for our business and see under what scenarios we would need additional capital. It's not for rating agency purposes. Like I said, it may serve a more important role in building customer confidence.

In terms of your question on the level of risk to capital, I think to some extent, we have been painted as being having a very high risk to capital ratio largely because of those two large international deals we have, which are really, for all intents and purposes, financial guaranty type deals. And the rating agencies in all our interaction with them have been very comfortable with those deals requiring very low capital. And when you adjust for those, as Bob mentioned, our risk to capital ratio is very comfortable.

Operator

Brian Horey, Aurelian Management.

Brian Horey - *Aurelian Management - Analyst*

My question relates to the Financial Guaranty business. You discussed, I believe, \$212 million of total exposure to domestic RMBS securities. Is that correct?

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Bob Quint - *Radian Group, Inc. - EVP and CFO*

Yes, that's in the MI business.

Brian Horey - *Aurelian Management - Analyst*

That's in the MI business. Okay. And I think you said that there was -- those were rated BBB to A-minus; do I have that right?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

Between BBB and single-A.

Brian Horey - *Aurelian Management - Analyst*

Single-A. Okay. Can you give us any more detail on what category those -- are they prime, Alt-A? What's the geography, what's the loan value range in that group?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

We didn't give that information; it's \$212 million of total exposure there. And so we didn't break it down as specifically as you are asking.

Operator

Craig [Carlozzi], [Mast] Capital.

Craig Carlozzi - *Mast Capital - Analyst*

A couple of housekeeping and I have a follow-up question as well. At year end, what do you estimate your RBC ratio to be at your operating company, the Mortgage Insurance operating company? And what is your statutory surplus, not including the contingency reserve estimate to be at year end?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

We don't measure our business on RBC, so it's not a concept that we use. And I don't have that number; the \$2.9 billion included contingency reserve. I don't have that number without -- the substantial part of that is contingency reserve.

Craig Carlozzi - *Mast Capital - Analyst*

Okay. And could you remind me what the IRS tax payment is, how much you expect that to be?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

The disclosure we made was approximately \$84 million.

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Craig Carlozzi - *Mast Capital - Analyst*

\$84 million. And so if you have \$100 million of cash at the hold co. and you expect to make \$84 million and presumably you have interest in hold co. expenses as well, how do you expect to bridge that liquidity gap without drawing down on your \$200 million available credit facility?

Bob Quint - *Radian Group, Inc. - EVP and CFO*

As we've disclosed, that \$84 million is allowed to be collected from the subsidiary at which the level that the tax is due.

Operator

Thank you, and now I will turn the call back to Radian management team for closing comments. Please go ahead.

S.A. Ibrahim - *Radian Group, Inc. - CEO*

I would like to thank everyone for participating in the call and thank you and we'll see you next quarter.

Operator

Ladies and gentlemen, that does conclude the call for today. Thank you for your participation and for using the AT&T Executive Teleconference service. You may now disconnect.

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