

RADIAN

Friedman Billings Ramsey

**Presentation by
Bob Quint, Chief Financial Officer**

December 3, 2008

Safe Harbor Statement

All statements during today's remarks and included in this presentation that address events, developments or results that we expect or anticipate may occur in the future are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the U.S. Private Securities Litigation Reform Act of 1995. In most cases, forward-looking statements may be identified by words such as "anticipate", "may," "should," "expect," "intend," "plan," "goal," "contemplate," "believe," "estimate," "predict," "project," "potential," "continue" or the negative or other variations on these words and other similar expressions. These statements, which include, without limitation, projections regarding our future performance and financial condition are made on the basis of management's current views and assumptions with respect to future events. Any forward-looking statement is not a guarantee of future performance and actual results could differ materially from those contained in the forward looking information. The forward-looking statements, as well as our prospects as a whole, are subject to risks and uncertainties, including the following:

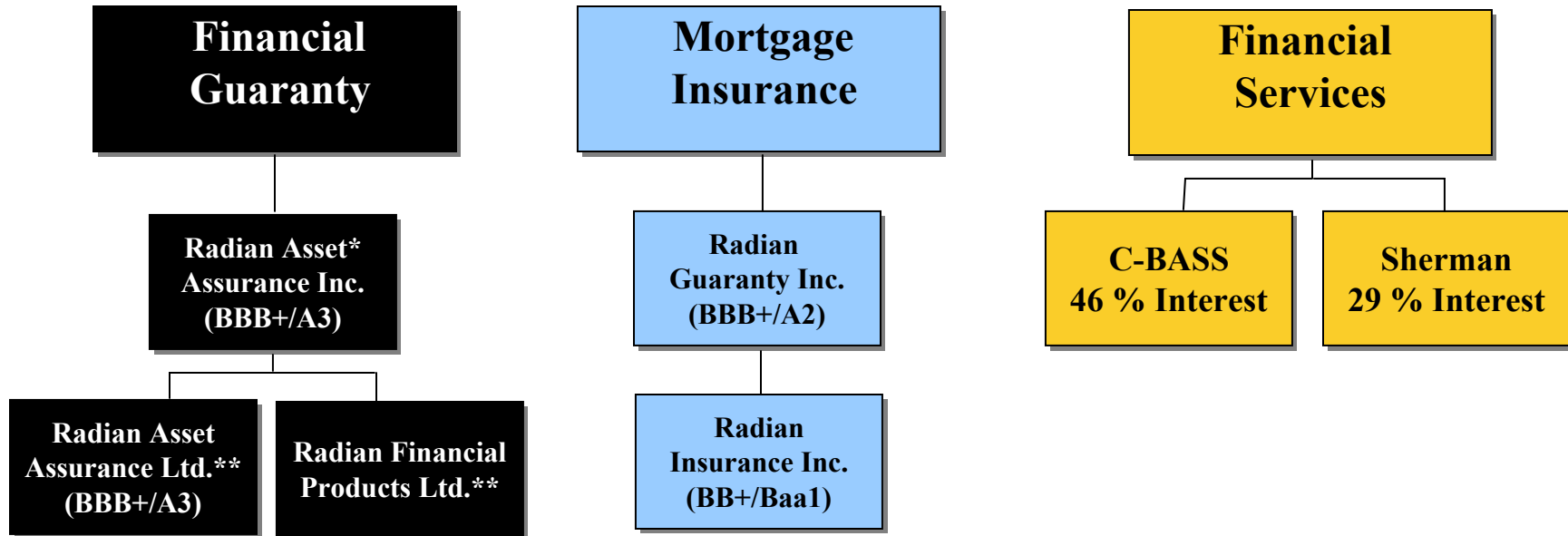
- changes in general financial and political conditions, such as extended national or regional economic recessions, changes in housing demand or mortgage originations, changes in housing values (in particular, further deterioration in the housing, mortgage and related credit markets, which would harm our future consolidated results of operations and could cause losses for our businesses to be worse than expected), changes in the liquidity in the capital markets and the further contraction of credit markets, population trends and changes in household formation patterns, changes in unemployment rates, changes or volatility in interest rates or consumer confidence, changes in credit spreads, changes in the way investors perceive the strength of private mortgage insurers or financial guaranty providers, investor concern over the credit quality and specific risks faced by the particular businesses, municipalities or pools of assets covered by our insurance;
- economic changes or catastrophic events in geographic regions where our mortgage insurance or financial guaranty insurance in force is more concentrated;
- our ability to successfully execute upon our capital plan, and if necessary, to obtain additional capital, to support our long-term liquidity needs and to protect our credit ratings and the financial strength ratings of Radian Guaranty Inc., our primary mortgage insurance subsidiary;
- a further decrease in the volume of home mortgage originations due to reduced liquidity in the lending market, tighter underwriting standards and the on-going deterioration in housing markets throughout the U.S.;
- our ability to maintain adequate risk-to-capital ratios, leverage ratios and surplus requirements in our mortgage insurance business in light of on going losses in this business;
- the concentration of our mortgage insurance business among a relatively small number of large customers;
- disruption in the servicing of mortgages covered by our insurance policies;
- the aging of our mortgage insurance portfolio and changes in severity or frequency of losses associated with certain of our products that are riskier than traditional mortgage insurance or financial guaranty insurance policies;
- the performance of our insured portfolio of higher risk loans, such as Alternative-A ("Alt-A") and subprime loans, and adjustable rate products, such as adjustable rate mortgages and interest-only mortgages, which have resulted in increased losses in 2007 and 2008 and are expected to result in further losses;
- reduced opportunities for loss mitigation in markets where housing values fail to appreciate or begin to decline;
- changes in persistency rates of our mortgage insurance policies caused by changes in refinancing activity, in the rate of appreciation or depreciation of home values and changes in the mortgage insurance cancellation requirements of mortgage lenders and investors;

Safe Harbor Statement (Continued)

- downgrades or threatened downgrades of, or other ratings actions with respect to, our credit ratings or the ratings assigned by the major rating agencies to any of our rated insurance subsidiaries at any time (in particular, the credit rating of Radian Group Inc. and the financial strength ratings assigned to Radian Guaranty Inc., which are currently on Negative outlook);
- heightened competition for our mortgage insurance business from others such as the Federal Housing Administration and the Veterans' Administration or other private mortgage insurers (in particular those that have been assigned higher ratings from the major ratings agencies);
- changes in the charters or business practices of Federal National Mortgage Association ("Fannie Mae") and Freddie Mac, the largest purchasers of mortgage loans that we insure, and our ability to retain our "Top Tier" eligibility requirement from both Freddie Mac and Fannie Mae;
- the application of existing federal or state consumer, lending, insurance, securities and other applicable laws and regulations, or changes in these laws and regulations or the way they are interpreted; including, without limitation: (i) the outcome of existing investigations of the possibility of private lawsuits or other formal investigations, by state insurance departments and state attorneys general alleging that services offered by the mortgage insurance industry, such as captive reinsurance, pool insurance and contract underwriting, violate the Real Estate Settlement Procedures Act and/or similar state regulations, (ii) legislative and regulatory changes affecting demand private mortgage insurance, or (iii) legislation and regulatory changes limiting or restricting our use of (or requirements for) additional capital, the products we may offer, the form in which we may execute the credit protection we provide or the aggregate notional amount of any product we may offer for any one transaction or in the aggregate;
- the possibility that we may fail to estimate accurately the likelihood, magnitude and timing of losses in connection with establishing loss reserves for our mortgage insurance or financial guaranty businesses, or the premium deficiency reserves for our first- and second-lien mortgage insurance business, or to estimate accurately the fair value amounts of derivative contracts in our mortgage insurance and financial guaranty businesses in determining gains and losses on these contracts;
- volatility in our earnings caused by changes in the fair value of our derivative instruments and our need to reevaluate the premium deficiencies in our mortgage insurance business on a quarterly basis;
- changes in accounting guidance from the Securities and Exchange Commission ("SEC") or the Financial Accounting Standards Board;
- legal and other limitations on amounts we may receive from our subsidiaries as dividends or through tax and expense sharing arrangements with our subsidiaries; and
- vulnerability to the performance of our investment in Sherman Financial Group LLC.

For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to the Risk Factors detailed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2007 as well as the material changes to these risks discussed in Item 1A of Part II of our quarterly reports on Form 10-Q. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date of today's presentation. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements made today or included in this presentation to reflect new information or future events or for any other reason.

Summary of Current Reporting Segments



Segment Equity at 9/30/08

\$1,349 MM

\$838 MM

\$145 MM

* In the 3rd quarter of 2008, we contributed our financial guaranty business to our mortgage insurance business

** International Entities

3rd Quarter Financial Highlights

- Continuation of elevated MI losses offset reduction in premium deficiency reserve
- Realized and unrealized losses in our investment portfolio, but maintenance of strong overall credit quality and liquidity
- Positive fair value impact from to FAS 157 credit quality adjustments
- Relatively stable operating performance in FG and Sherman

Financial Highlights

	<u>As of 9/30/08</u>
Assets	\$8,238.2
Loss reserves	\$2,680.4
Unearned premiums	\$1,000.7
Stockholders' equity	\$2,332.3
Debt to capital ratio	28.03%
Book value per share	\$28.90
Radian Guaranty Risk-to-Capital	14.5:1
Holding company liquidity	≈ \$400.0

Dollars in millions

Diversification

Risk In Force/ Net Par Outstanding by Product

Business Line	Product	RIF/Net Par Outstanding as of 9/30/08	Percent of Portfolio
Financial Guaranty	Direct Public Finance	\$18,344.0	12%
	Public Finance Reinsurance	40,420.4	26%
	Direct Structured Finance	46,695.2	29%
	Structured Finance Reinsurance	5,567.9	4%
Total FG Net Par Outstanding		111,027.5	71%
Mortgage Insurance	Primary Prime MI	26,693.0	17%
	Primary Non-Prime MI	7,976.0	5%
	Pool MI	2,963.0	2%
	Second Liens	696.0	*%
	NIMs	456.0	*%
	International	8,148.0	5%
	Other	162.0	*%
Total MI RIF		47,094.0	29%
Total Radian RIF/Net Par Outstanding		\$158,121.5	100%

Dollars in millions

* less than 1%

Mortgage Insurance Highlights

- Focus on writing profitable, prime mortgage insurance business
- Significant loss mitigation effort
- Maintain ratings and GSE status, preparing to be a strong player in the market after the cycle turns

Portfolio Management

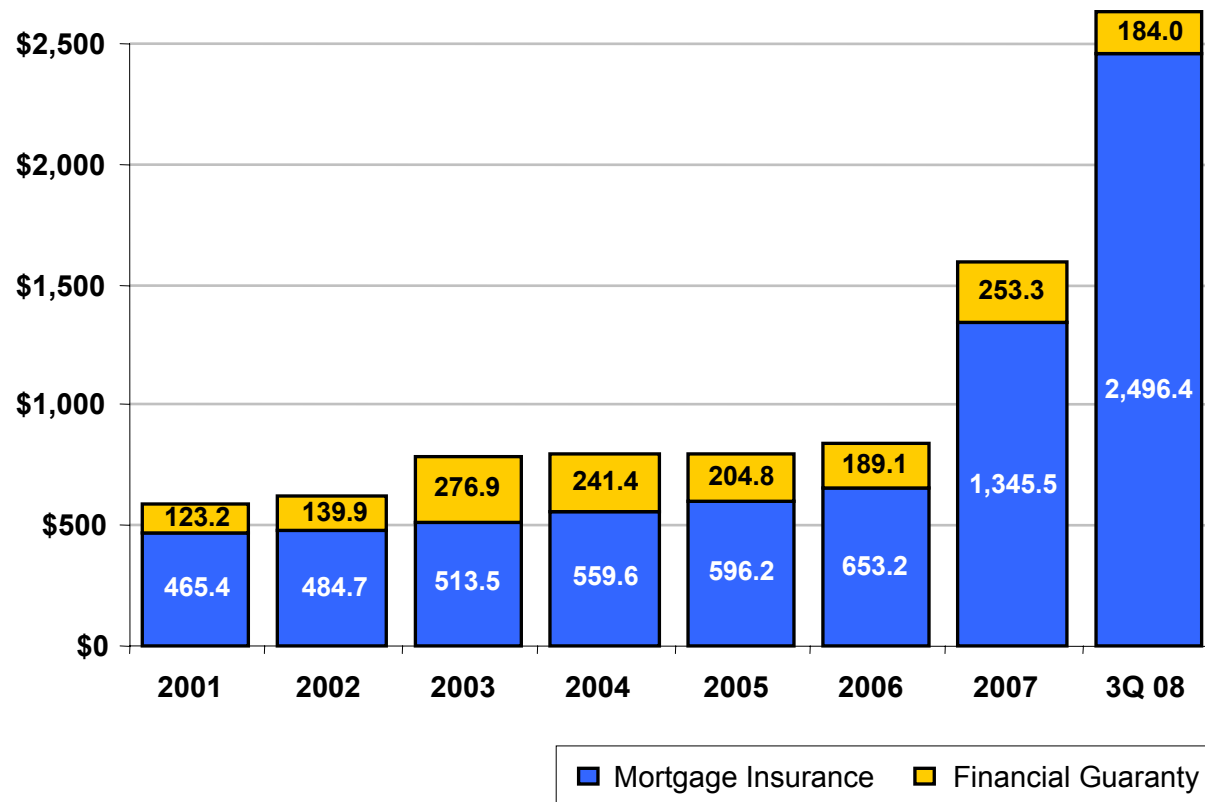
Primary Mortgage Insurance New Insurance Written and Risk in Force by Product

	<u>Q3 '07</u>	<u>Q4 '07</u>	<u>Q1 '08</u>	<u>Q2 '08</u>	<u>Q3 '08</u>
<u>RIF – At Quarter End</u>					
Prime	71.1%	71.9%	74.4%	75.7%	77.0%
Alt A	18.6%	18.3%	16.3%	15.5%	14.8%
A minus	9.1%	8.8%	8.4%	8.0%	7.5%
B/C	1.2%	1.0%	0.9%	0.8%	0.7%

NIW – For the Quarter

Prime	69.9%	76.7%	89.5%	92.9%	98.4%
Alt A	19.5%	16.3%	5.7%	4.9%	1.3%
A minus & below	10.6%	7.0%	4.8%	2.2%	0.3%

Total Loss Reserves



Dollars in millions

1st Lien Premium Deficiency Reserve (PDR) Established Q2 08

Financial Impact (\$ MMs)

1st Lien PDR	\$150
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Projections (\$ B)

Gross Losses	\$5.7
Gross Premiums	\$2.3
Reinsurance Benefits	\$0.8
Reserves	\$2.0

Assumptions

2008-2009 HPA	-8%
Peak to trough	-8.5%
Severity (% of coverage)	100%
Overall Frequency	~14%
Unemployment	7.0%

PDR Present value of expected future results (premiums less losses, expenses and current reserves) in negative position.

A PDR was established in Q2 2008 for the Domestic Primary and Pool 1st Lien portfolio based on an evaluation of the present value of that portfolio's expected future results. Q3 2008 new business written, which is expected to be profitable, is not included in the PDR.

GAAP only - No impact on statutory capital or risk to capital ratios

Loss Management – A Key Part Of Capital Preservation

- Evaluating all options to preserve homeownership
- Placing Radian staff on-site with major servicers
- Participating in Hope Now initiative
- Providing outreach to customers
 - Mailers direct customers to borrower website for information
 - Free credit counseling improves contact rate
- Promoting flexible solutions like “Fast Advance”
 - Advances up to 15% of potential claim
 - Servicer utilizes funds to provide solutions directly to homeowners

Foreclosure Mitigation Efforts

Government

- On Nov 11, GSEs announce acceleration of anti- foreclosure efforts with a new loan modification program:
 - Loans at least 90 days delinquent
 - Payments not to exceed 38% of gross monthly income
 - Cannot file for bankruptcy
 - Servicers receive \$800/loan modified
- Under ESSA, the Secretary must “maximize assistance to homeowners and encourage mortgage servicers to take advantage of available programs (including the HOPE for Homeowners program) to minimize foreclosures”
- The Secretary is authorized to use loan guarantees and credit enhancements to facilitate loan modifications to prevent avoidable foreclosures

Industry Participants

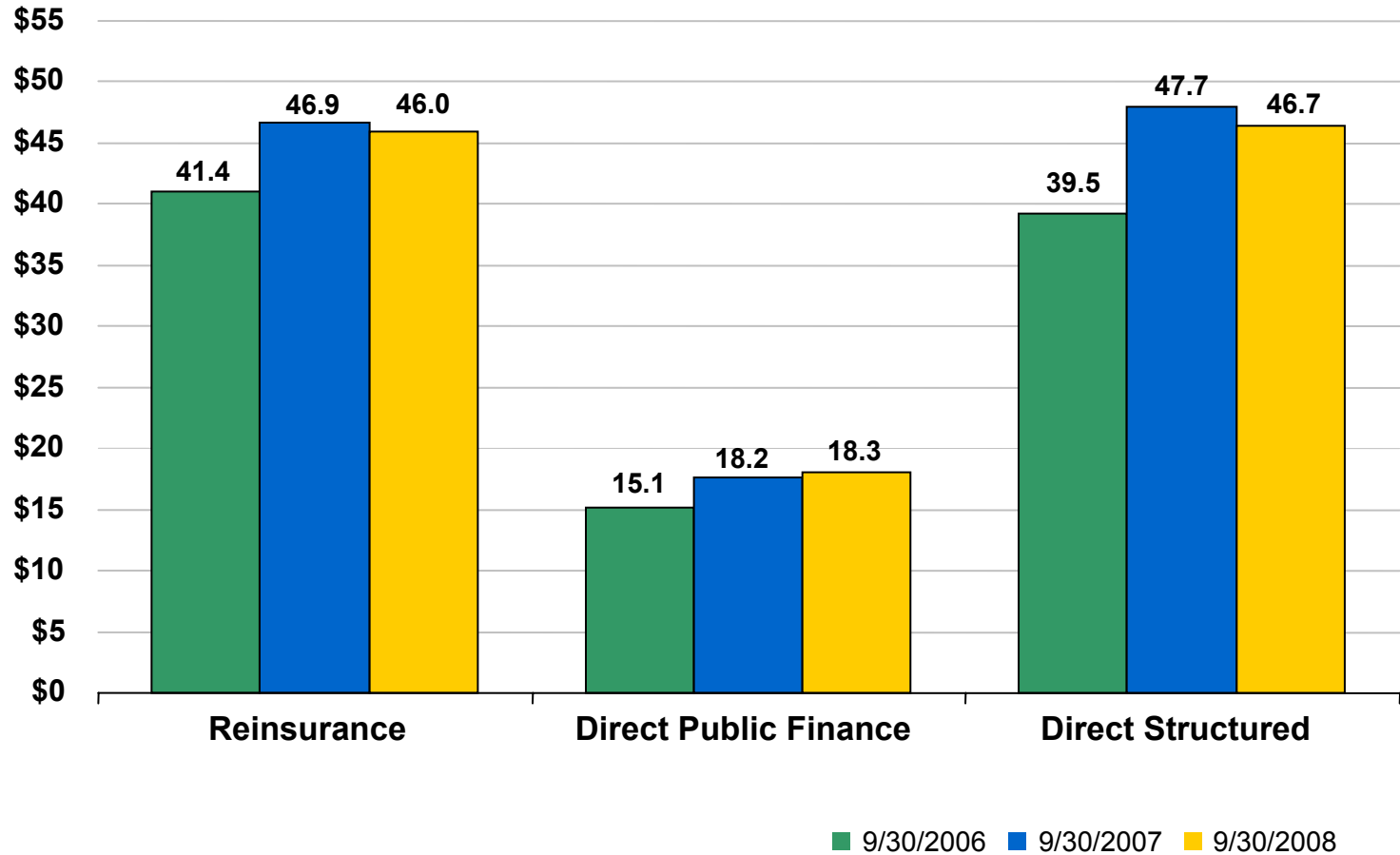
- B of A / Countrywide entered into a settlement with various states’ Attorneys General, requiring the creation of a proactive home retention program that will systematically modify troubled mortgages with up to \$8.4B in interest rate and principal reductions for nearly 400,000 Countrywide customers
- Citigroup is offering to modify the terms of as much as \$20 billion in mortgages for borrowers who are current on their loan payments but at risk of falling behind; the company hopes to reach 500,000 customers
- J.P. Morgan Chase & Co. launched a plan to modify the terms of \$70 billion in mortgages for borrowers who are behind on their payments or soon could be; the company hopes to reach 400,000 customers

Financial Guaranty Highlights

- Orderly reduction of exposure to maximize capital access
- Rigorous surveillance effort to monitor credit exposure
- Proactive dialogue with New York State Insurance Department
- Goal of providing as much capital support to the mortgage insurance business as possible

Financial Guaranty Net Par Outstanding by Product

\$111.0 billion as of September 30, 2008



Dollars in billions

Financial Guaranty Product Line and Sector Mix

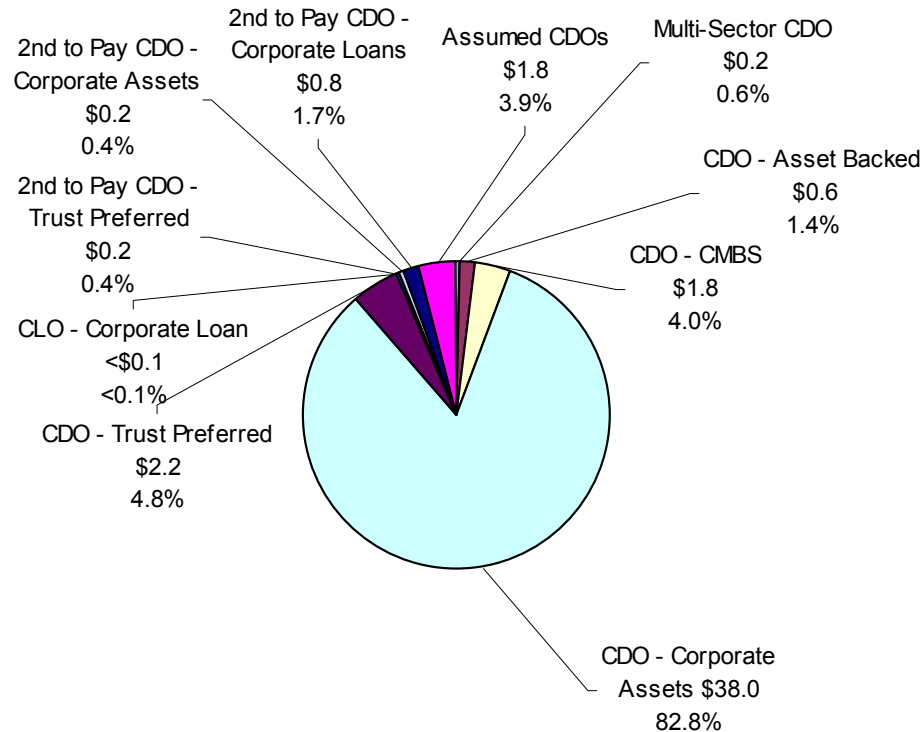
\$111.0 billion in net par outstanding as of September 30, 2008

Public Finance		Structured Finance	
Sector	Percent	Sector	Percent
Education	3.4%	Asset-backed – commercial and other	1.1%
General obligations	17.8	Asset-backed –consumer	1.2
Healthcare	8.3	Asset-backed – mortgage and MBS	1.3
Housing	0.5	CDOs	41.4
Investor owned utilities	3.5	Other structured finance	2.2
Long term care	1.3	Subtotal	47.1%
Tax-backed	4.9		
Transportation	6.3		
Utilities	5.6		
Other public finance	1.6		
Subtotal	52.9 %		

Financial Guaranty CDO Portfolio

\$45.9 Billion Net Par Outstanding as of September 30, 2008

Asset Type Distribution (\$ Billions)



- Total CDO Exposure written on a direct basis is \$44.1 billion (96.1% of CDO exposure)
- Total CDO Exposure within the assumed portfolio is \$1.8 billion representing 406 transactions (3.9% of CDO exposure)

Financial Guaranty Credit Exposure to Direct Corporate CDOs

As of September 30, 2008 (\$ in billions)

Year of Scheduled Maturity	Number of CDS Contracts/Policies	Aggregate Net Par Exposure	Initial Average # of Sustainable Credit Events *	Current Average # of Sustainable Credit Events *	Average # of Current Remaining Names in Transaction
2008	1	0.1	9.3	9.1	127.0
2009	7	1.3	12.5	11.7	122.7**
2010	7	1.2	14.8	13.0	124.3
2011	3	1.5	39.1	39.1	101.3
2012	16	5.9	25.5	24.3	104.8
2013	36	15.2	31.9	31.3	101.1
2014	16	6.5	29.6	28.8	99.9
2017	17	6.3	26.0	25.2	101.4
Total	103	38.0			

* The number of Sustainable Credit Events represents the number of credit events on different corporate entities that can occur within a single transaction before we would be obligated to pay a claim, is calculated using the weighted average exposure per corporate entity and assumes a recovery value of 30% to determine future losses (unless the parties have agreed upon a fixed recovery, then such fixed recovery is used to determine future loss).

** In addition, we have a CDO - squared transaction (a transaction of a master CDO with four sub-pools of Corporate CDO's) where we have exposure to an aggregate of 297 corporate names.

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Key Takeaways

Key Takeaways

1. We have adequate claims-paying resources in both our Mortgage Insurance and Financial Guaranty businesses
2. Radian Group maintains adequate liquidity and has access to capital via our ownership in Sherman Financial
3. We remain committed to maintaining our current prime-based product mix and sustaining the guideline changes and pricing increases that have been made to improve the profitability of new business
4. We believe we will maintain our eligibility with the GSEs
5. We are preserving capital through proactive loss mitigation initiatives
6. We will prudently reduce FG exposure in order to access strong capital base

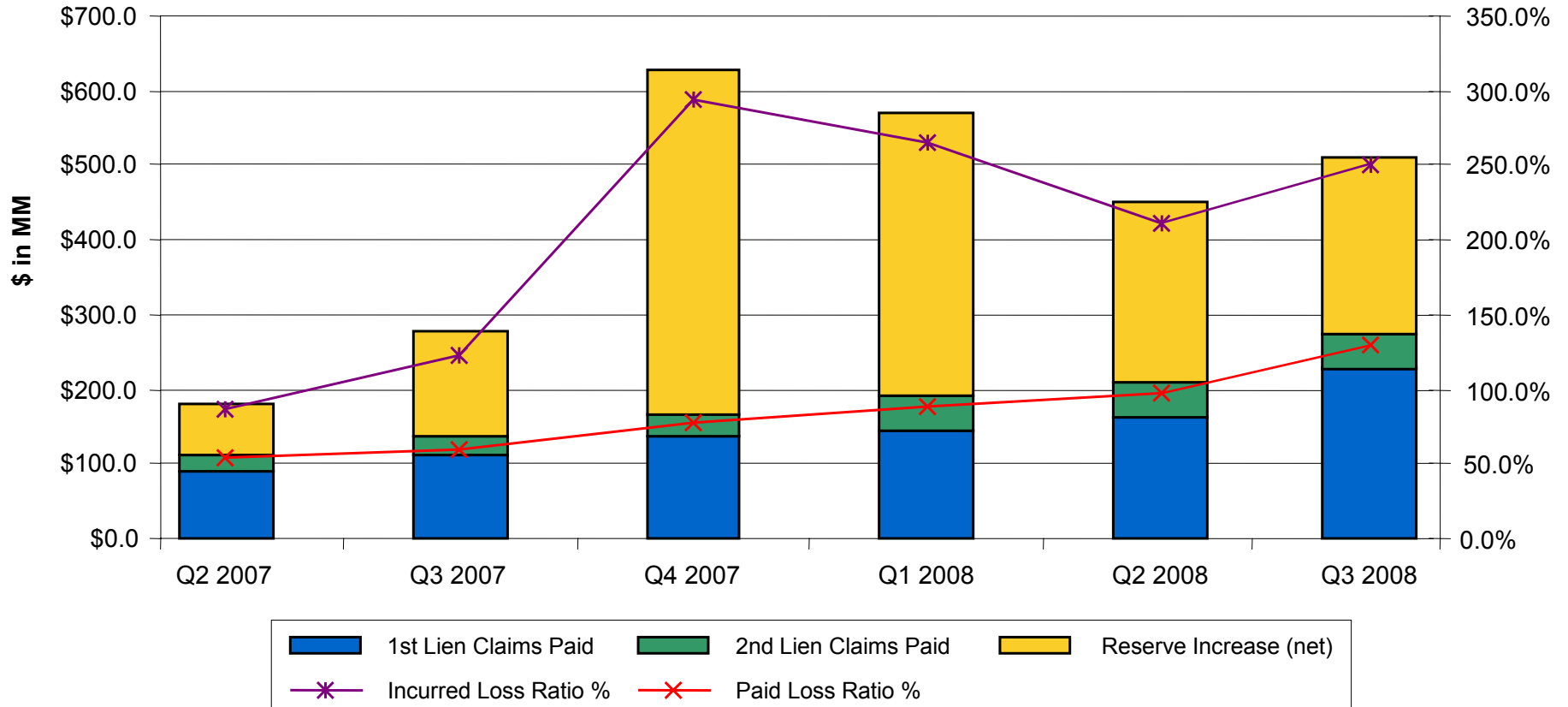
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Appendix

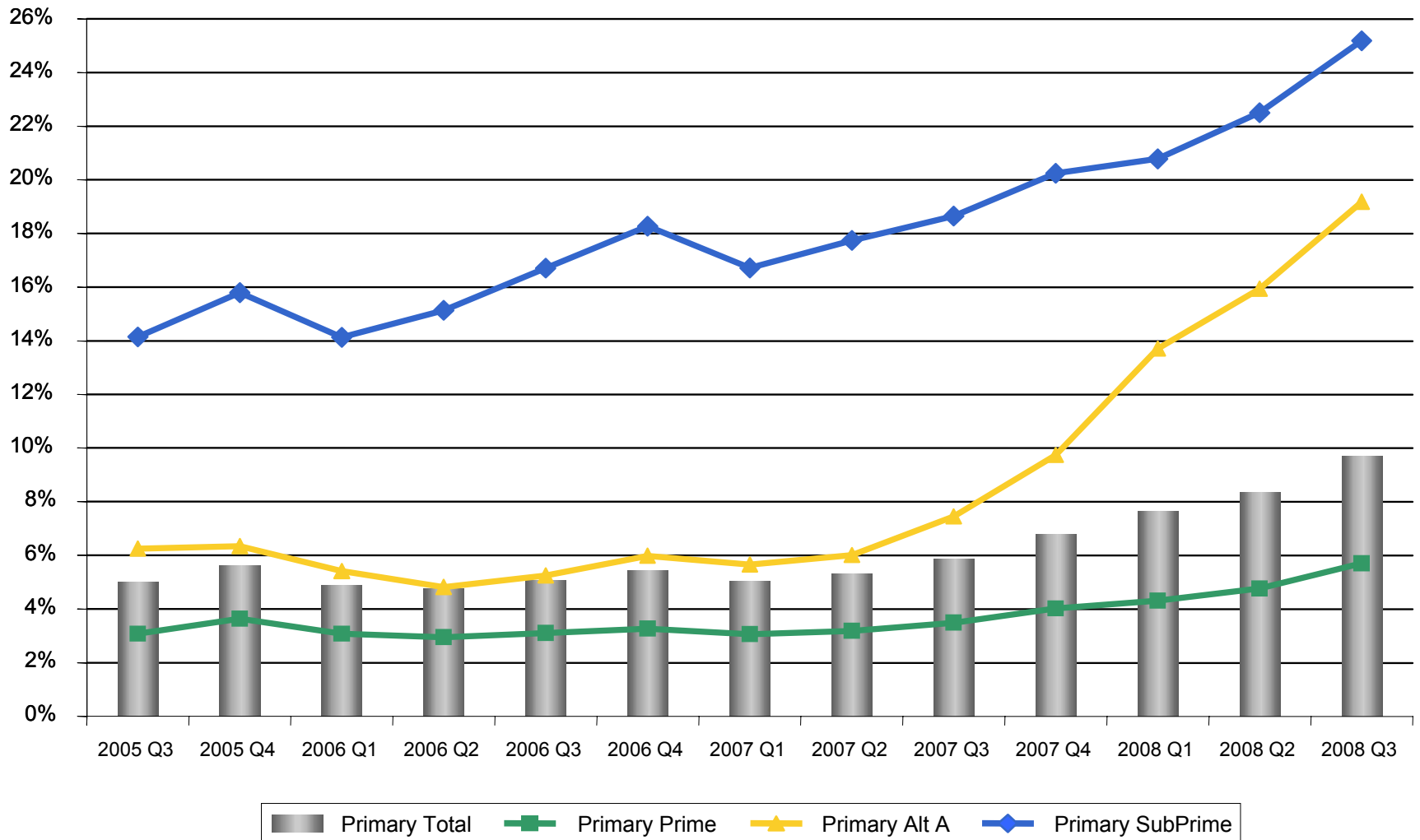
MI Incurred Loss Trend

MI Incurred Losses

(Q3 08 Paid Claims + Reserve Increases = \$5,190 MM)



Primary Mortgage Insurance Default Rates by Prime, Alt A, Subprime



Top Ten Investment Portfolio Risk Concentrations

Investment Portfolio Risk Concentrations (excludes cash):

Description	Market Value		Securities Classifications							
	\$	%	US Government, Agency & GSE Securities				Municipal Securities		Short Term	Equity
			Short-Term	MBS	Bills/Notes	GSE Notes	Uninsured	Insured		
State of California (1)	\$279,483,150	4.45%					\$258,475,177	\$21,007,974		
State of New York (1)	223,886,297	3.57%					177,982,178	45,904,119		
Northern Institutional Government Portfolio (2)	223,803,043	3.57%	223,803,043							
Federal National Mortgage Association (Fannie Mae)	204,560,289	3.26%	\$19,816,000	\$170,693,852		\$14,050,438				
Master Settlement Agreement (MSA) Securitizations (3)	163,673,699	2.61%					150,879,839	12,793,860		
Commonwealth of Massachusetts (1)	141,509,050	2.26%					\$121,194,339	\$20,314,711		
Vanguard Institutional Index Fund (4)	132,023,338	2.10%								\$132,023,338
Vanguard Institutional Prime Portfolio (2)	125,000,000	1.99%							\$125,000,000	
United States Treasury Securities	104,847,380	1.67%			\$104,847,380					
New York Metropolitan Transportation Authority	93,514,939	1.49%					49,525,389	43,989,550		
Top Investment Portfolio Risk Concentrations	\$1,692,301,185	26.98%	\$243,619,043	\$170,693,852	\$104,847,380	\$14,050,438	\$758,056,921	\$144,010,214	\$125,000,000	\$132,023,338

Footnotes:

(1) Includes securities with indirect and/or historical State funding support

(2) Money Market Funds

(3) Aggregate investment in securities backed by MSA payments (the MSA obligated participating tobacco companies to compensate various US States for health and other tobacco related expenses)

(4) Tracks performance of the Standard & Poor's 500 Index

Summary MI Financial Projections

Captive and SmartHome Reinsurance Benefit

	(\$ Millions)		
	<u>Q3 2008</u>	<u>Q2 2008</u>	<u>Q1 2008</u>
<u>NIW:</u>			
NIW Subject to Captives	\$ 2,103.6	\$ 3,414.8	\$ 4,749.7
% of Primary NIW	27.9%	35.4%	46.2%
% Average Premium Ceded on New Captive Business Only	26.9%	37.2%	39.1%
<u>Captive Portfolio:</u>			
% Risk In Force - Included in Captive	41.0%	41.7%	42.2%
Risk In Force - Ceded	\$ 3,021.1	\$ 2,993.2	\$ 2,940.8
% Gross Risk In Force - Ceded	8.7%	8.8%	9.0%
% Primary Premiums Ceded to Captive	15.4%	14.7%	15.4%
Ceded Reserves	\$ 240.4	\$ 131.1	\$ 5.7
Claims Recoveries from Captives	\$ 0.7	\$ 1.0	\$ 7.2
Projected Lifetime Captive Benefit:	\$ 657		
<u>SmartHome Portfolio:</u>			
% Risk In Force - Included in SmartHome Transaction	3.9%	4.3%	5.0%
Risk In Force - Ceded	\$ 579.1	\$ 592.2	\$ 600.1
% Gross Risk In Force - Ceded	1.7%	1.7%	1.8%
% Primary Premiums Ceded - SmartHome Transaction	1.5%	1.6%	1.5%
Total Primary Premiums Ceded - SmartHome Transaction - Life-to-Date	\$ 37.5	\$ 34.4	\$ 30.7
Ceded Reserves	\$ 69.4	\$ 44.7	\$ 31.2
Claims Recoveries from SmartHome Transaction	\$ -	\$ -	\$ -
Projected Lifetime SmartHome Benefit:	\$ 104		

PROJECTED LIFETIME BENEFITS (CAPTIVES AND SMARTHOME) ~ \$ 761 MM

Financial Guaranty Non-CDO RMBS Portfolio

Breakdown by Asset Type

\$1.1 Billion Domestic RMBS as of September 30, 2008

	Net Par Outstanding	% of RMBS Portfolio	Direct Total*	Assumed Non-HELOCs	Assumed HELOC's	Assumed Total	% 2006 / 2007 Vintage	AAA	AA	Ratings		
										A	BBB**	BIG***
SubPrime	\$392.5 MM 141 Policies	36.1%	\$126.7 MM 7 Policies 32.3%	\$221.6 MM 130 Policies 56.5%	\$44.2 MM 4 Policies 11.2%	\$265.8 MM 134 Policies 67.7%	10.2% / 31.2%	17.4%	0.6%	2.2%	4.5%	75.3%
Prime	\$274.7 MM 68 Policies	25.3%	\$123.0 MM 7 Policies 44.8%	\$69.6 MM 45 Policies 25.3%	\$82.1 MM 16 Policies 29.9%	\$151.7 MM 61 Policies 55.2%	6.6% / 33.1%	64.6%	7.7%	3.9%	15.4%	8.4%
Alt A	\$388.2 MM 61 Policies	35.7%	\$73.2 MM 3 Policies 18.9%	\$248.9 MM 52 Policies 64.1%	\$66.1 MM 6 Policies 17.0%	\$315.0 MM 58 Policies 81.1%	26.0% / 32.9%	50.7%	2.6%	8.5%	12.3%	25.9%
Second to Pay	\$30.9 MM 8 Policies	2.9%	\$0.0 MM 0 Policies 0.0%	\$30.9 MM 8 Policies 100.0%	\$0.0 MM 0 Policies 0.0%	\$30.9 MM 8 Policies 100.0%	0.0% / 100.0%	16.9%	8.3%	0.0%	0.0%	74.8%
Total RMBS	\$1,086.3 MM 278 Policies	100.0%	\$322.9 MM 17 Policies 29.7%	\$571.0 MM 235 Policies 52.6%	\$192.4MM 26 Policies 17.7%	\$763.4 MM 261 Policies 70.3%	14.6% / 34.3%	41.2%	3.3%	4.8%	10.0%	40.7%

* Radian Asset has no direct HELOC exposure. No Direct RMBS has been written since 2005, and no direct SubPrime RMBS has been written since 2004.

** 100% of the BBB exposure is assumed through treaties from the monoline primaries.

*** All of the BIG exposure is on Radian Asset's Watch List and reserves have been established for these as needed.

Note: Ratings are based on Radian Asset's internal ratings.

Financial Guaranty CDO Portfolio: Direct Exposure

\$44.1 Billion Net Par Outstanding as of September 30, 2008

Corporate CDOs represent more than 80% of our overall CDO exposure.

- 98% attach at the AAA level or higher, representing 99.2% of the aggregate net par exposure.*
- The average attachment point is 2.2x the AAA level and the weighted average tenor is 5.2 years.*
- 52.4% of the total number of deals, representing 59.4% of aggregate net par exposure, have attachment points of at least 2x the AAA level.*
- On an outstanding notional basis, at least 85% of the transactions we have insured (pools range in size from 80 - 151 referenced corporate entities) can sustain at least 15 defaults (30% recovery assumption) without Radian incurring a loss.
- On a weighted average basis, each transaction can sustain 29 defaults (30% recovery assumption).
- No corporate entity represents more than 2.1% of any one transaction and the average concentration is 0.9% per transaction.
- All transactions are static pools, which means the reference corporate entities cannot be changed without Radian's consent.
- No industry represents more than 8.4% of our aggregate notional exposure to corporate entities.
- The portfolio of corporate names is well diversified with no individual exposure to a single corporate entity exceeding 0.7% of our aggregate notional exposure to corporate entities in our direct Corporate CDO portfolio.

Trust Preferred CDOs ("TruPs")** represent less than 5% of our overall CDO exposure.

- These transactions have experienced some defaults and deferrals***; however, all transactions are still currently rated AAA by the rating agencies.
- There are 13 TruPs transactions, with collateral pools consisting of 60-135 issuers, which are predominantly banking and insurance companies.
- Current subordination, taking into account both defaults and deferrals, ranges from 37.7% to 47.1%, with an average of 41.4%.
- Underlying collateral pools are well diversified geographically.

100% of **CDOs of CMBS** and **Multi-sector CDOs** net par outstanding is rated AAA.

* Attachment points are derived from the S&P CDO Evaluator

** Excluding 2nd to Pay TruPs with net par outstanding of \$200 million

*** Deferrals refer to the right of an issuer to defer payments for a period under a TruPs security without triggering a default.

Financial Guaranty Distribution of Ratings of Direct CDOs

As of September 30, 2008

<u>Ratings (\$ in billions)</u>	<u># of CDS Contract/Policies</u>	<u>Net Par Outstanding</u>	<u>% of CDO Net Par Outstanding</u>
AAA	491	\$ 45.1	98.2%
AA	21	0.1	0.3%
A	21	0.7	1.4%
BBB	2	- *	- **
<u>Below Investment Grade</u>	<u>11</u>	<u>- *</u>	<u>- **</u>
<i>Total</i>	546	\$ 45.9	100%

* - Less than \$ 0.1

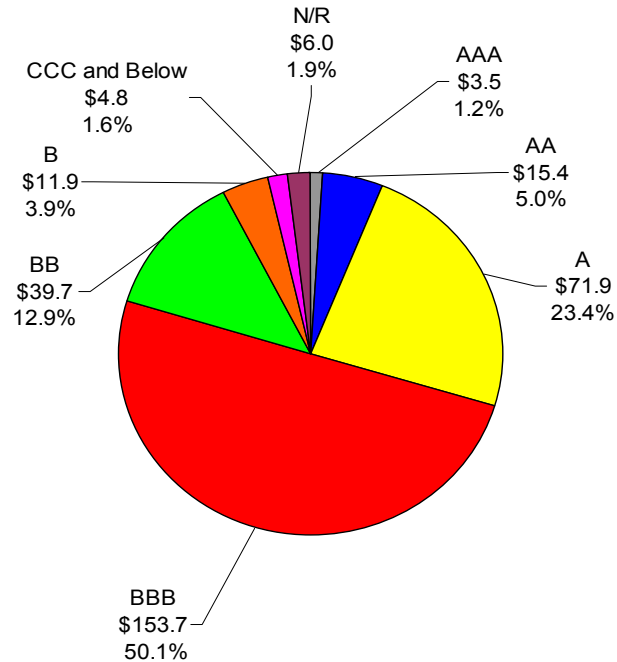
** - Less than 0.1%

Ratings category reflects the highest rating assigned to the underlying obligation from the three rating agencies (S&P, Moody's and Fitch), or, if no such rating is assigned, our internal rating estimate of the obligation utilizing rating agency models and methodologies to the extent available. Our internal rating estimates are subject to revision at any time and may differ from the credit ratings ultimately assigned by the rating agencies.

Financial Guaranty Corporate CDO Portfolio

Underlying Collateral Ratings as of September 30, 2008

Ratings Distribution by Notional (\$ Billions)*



*Indicated ratings category reflects the lower of the ratings assigned to the underlying corporate entities by Moody's or S&P

- S&P had a total of 67 rating actions on the underlying corporate entities in our CDO portfolio during the 3rd quarter, consisting of 45 downgrades and 22 upgrades.
- Moody's had a total of 53 rating actions on the underlying corporate entities in the CDO portfolio during the 3rd quarter, consisting of 36 downgrades and 17 upgrades.
- 11.4% of the number of Banking sector names and 11.3% of the number of Insurance sector names in the corporate CDO portfolio were downgraded in the 3rd quarter.

Financial Guaranty

CDO Portfolio: CDO of ABS, CMBS, and Multi-Sector Portfolio

As of September 30, 2008

Type of Collateral as a Percentage of Total Pool

Year Insured	Legal Final Maturity	Net Par Outstanding (\$ Millions)	ABS	RMBS	Subprime RMBS	CMBS	CDO of Investment Grade Corporate	CDO of High Yield Grade Corporate	CDO of ABS	CDO of CDO	Other	Total Collateral Pool	S&P Rating	Moody's Rating	Original AAA Subordination	Radian Asset Attachment Point	Radian Asset Detachment Point	% RMBS A3 or Better*	% Sub Prime A3 or Better*
2004	2009	253.2	33.3%	30.2%	0.0%	0.0%	33.6%	2.9%	0.0%	0.0%	0.0%	100.0%	AAA	Aaa	2.2%	24.3%	46.2%	100.0%	0.0%
2005	2010	150.0	25.2%	49.0%	15.8%	0.0%	8.3%	1.7%	0.0%	0.0%	0.0%	100.0%	AAA	N/R	4.5%	13.0%	38.0%	100.0%	100.0%
2006	2046	485.8	0.0%	21.8%	42.7%	14.0%	0.0%	0.0%	13.1%	3.4%	5.0%	100.0%	B+**	A2**	4.9%	***	100.0%	58.0%	40.2%
2006	2047	450.0	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	AAA	N/R	2.4%	6.8%	30.0%	NA	NA
2006	2049	598.5	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	AAA	N/R	0.6%	5.1%	30.0%	NA	NA
2006	2056	352.5	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	AAA	N/R	5.5%	6.5%	30.0%	NA	NA
2007	2047	430.0	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	AAA	Aaa	2.4%	7.0%	50.0%	NA	NA
Total		2,720.0																	

*Ratings are based on Moody's ratings. If Moody's rating is unavailable, then S&P rating applies.

**S&P downgraded this CDO to AA- in March 2008 and then to B+ in July 2008; Moody's downgraded it to Aa3 in April 2008 and then to A2 in July 2008.

***Although the current attachment point equals \$119.9 million (19.79%), we do not currently expect that remaining subordination will be sufficient to absorb losses from the remaining collateral.

- Radian Asset has one direct Multi-Sector CDO with net par outstanding of \$253.2 million.
- Radian Asset has two direct CDOs of ABS with aggregate net par outstanding of \$635.8 million (\$150.0 million and \$485.8 million). The \$485.8 million transaction is on Radian Asset's Watch List with a current internal rating CCC-.
- Moody's and S&P took multiple rating actions that affected RMBS and CDOs of ABS between July 2007 and September 2008:
 - 48 RMBS credits and 20 CDOs of ABS in the collateral pool underlying the \$485.8 million CDO were downgraded as a result of Moody's and S&P's rating actions. These 68 credits represent \$334.7 million in a collateral pool of \$601.9 million. 13 of these credits, with a current value of \$60.9 million, have defaulted.
 - No credits in the \$150.0 million AAA CDO or in the \$253.2 million Multi-Sector CDO were downgraded or placed on negative watch by Moody's or S&P between July 2007 and September 30, 2008.

Financial Guaranty CDO Portfolio: CMBS Exposure

As of September 30, 2008

Outstanding Par (\$MM)	Total Reference Obligations	Average Size of Reference Obligation (\$MM)	Average Subordination of Reference Obligation	Total Delinquencies (Average of Reference Obligation)
\$352.5	30	\$50	14%	0.62%
430.0	40	25	13%	0.55%
598.5	30	80	20%	0.51%
450.0	27	72	31%	0.67%
\$1,831.0	127			

- All four synthetic CDOs of CMBS are rated AAA by both Moody's and S&P and contain 127 AAA rated (by at least two of the three rating agencies) CMBS tranches issued as part of 88 securitizations (the "Reference Obligations").
- The total balance of the Reference Obligations equals \$6.8 billion; however, the loan collateral supporting these 127 tranches consist of approximately 15,000 loans with a balance of approximately \$200 billion.
- Performance has been consistent with that of the CMBS market, with 91% of the 88 securitizations experiencing total delinquencies of less than 2% and 61% under 1%.
- Underlying loan collateral is well diversified both geographically and by property type.

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