RADIAN GROUP INC
Form S-1/A
June 10, 2008
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As filed with the Securities and Exchange Commission on June 10, 2008

Registration No. 333-151029

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

RADIAN GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	**6351**	**23-2691170**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1601 Market Street

Philadelphia, Pennsylvania 19103

(215) 231-1000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Teresa A. Bryce

Executive Vice President, Secretary and General Counsel

1601 Market Street

Philadelphia, Pennsylvania 19103

(215) 231-1000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

F. Douglas Raymond, III	**Alexander M. Dye**
Russell J. Wood	**Michael Groll**
Drinker, Biddle & Reath LLP	**Dewey & LeBoeuf LLP**
One Logan Square	**1301 Avenue of the Americas**
18th and Cherry Streets	**New York, New York 10019**
Philadelphia, Pennsylvania 19103	**(212) 259-8000**
(215) 988-2700	

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) of the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) of the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered[1]	**Amount to be Registered[1]**	**Proposed Maximum Offering Price Per Security**	**Proposed Maximum Aggregate Offering Price[2]**	**Amount of Registration Fee[3]**
% Convertible Junior Subordinated Debentures		%	$100,000	$3.93
Common Stock of Radian Group Inc., par value $0.001 per share		[4]	$100,000	$3.93[5]
Common Stock of Radian Group Inc., par value $0.001 per share underlying the % Convertible Junior Subordinated Debentures	[6]	[6]	[6]	[7]
Total				$7.86

(1) Includes shares of common stock and $ aggregate principal amount of debentures, which the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price and includes the offering price of shares and debentures that the underwriters have the option to purchase to cover over-allotments, if any.

(4) Determined in accordance with Rule 457(c) under the Securities Act of 1933, as amended, as the average of the high and low price of the common stock on the New York Stock Exchange on June [ ], 2008.

(5) Paid upon initial filing of this registration statement.

(6) Includes such indeterminable number of shares of common stock issuable upon conversion of the debentures. The debentures are convertible into common stock at an initial conversion rate of shares per $1,000 principal amount of debentures, subject to adjustment in certain circumstances. Pursuant to Rule 416 under the Securities Act of 1933, the registration statement shall include an indeterminate number of shares of common stock that may be issued from time to time in connection with a stock split, stock dividend, recapitalization or similar event.

(7) Pursuant to Rule 457(i) under the Securities Act of 1933, there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This registration statement contains two forms of prospectus: one to be used in connection with an offering of shares of our common stock (the Common Stock Prospectus) and one to be used in connection with an offering of our % Convertible Junior Subordinated Debentures due 2068 (the Debentures Prospectus). The Common Stock Prospectus and the Debentures Prospectus will be identical in all respects except for eight alternate sections for the Debentures Prospectus included herein, which are each labeled Alternate Section for Debentures Prospectus.

The form of Common Stock Prospectus begins on the next page. It is followed by the following eight alternate (in some cases, additional) sections of the Debentures Prospectus: (1) the cover page to the Debentures Prospectus; (2) the Offering; (3) Risks Related to an Investment in the Debentures; (4) Description of the Debentures; (5) Description of the Replacement Capital Covenant; (6) Certain U.S. Federal Income Tax Considerations; (7) Underwriting; and (8) the back cover page to the Debentures Prospectus. Following the alternate sections of the Debentures Prospectus is Part II of the registration statement, containing information we are required to provide in this registration statement but which is not required to be part of either prospectus.

The Company has not filed the annual financial statements as of and for the year ended December 31, 2007, of its significant unconsolidated subsidiary, C-BASS, as required by Regulation S-X. While the Company intends to file the financial statements of C-BASS as soon as practical, until such financial statements are filed this registration statement on Form S-1 will not be declared effective.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated June , 2008

PROSPECTUS

Shares

Radian Group Inc.

Common Stock

We are offering shares of our common stock. This offering is being made concurrently with the offering of our % Convertible Junior Subordinated Debentures pursuant to a separate prospectus. This offering is not contingent on the completion of the % Convertible Junior Subordinated Debentures offering.

Our common stock is listed on the New York Stock Exchange under the symbol RDN. On June , 2008, the last sale price of our common stock as reported on the New York Stock Exchange was $ per share.

Before making any investment in the common stock, you should carefully consider the risks that are described in the Risk Factors section beginning on page 13 of this prospectus.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds, Before Expenses, To Us	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted to the underwriters an option, exercisable within 30 days, to purchase up to an additional shares of common stock from us on the same terms and conditions set forth above if the underwriters sell more than shares of common stock in this offering.

Lehman Brothers expects to deliver the shares to investors on or about June , 2008.

LEHMAN BROTHERS

, 2008

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You should rely only on the information contained or incorporated by reference in this prospectus and any other offering material we or the underwriters provide. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information contained or incorporated by reference in this prospectus is accurate only as of the date on the cover of this prospectus, or in the case of documents incorporated by reference, the date of such documents, regardless of the time of delivery of this prospectus or any sales of our securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Unless the context otherwise requires, references in this prospectus to our company, we, us, our or ours refer to Radian Group Inc. a its consolidated subsidiaries. Sherman Financial Group LLC, or Sherman, and Credit-Based Asset Servicing and Securitization LLC, or C-BASS, are not our subsidiaries and are not included in the terms our company, we, us, , our and ours and other similar terms.

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FORWARD-LOOKING STATEMENTS SAFE HARBOR PROVISIONS

All statements made in this prospectus, any related offering materials and the documents incorporated by reference with this prospectus 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 may, should, could, would, expect, int plan, goal, contemplate, believe, estimate, predict, project, potential, continue or the negative or other variations on these words 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:

actual or perceived 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 mortgage insurance business to be worse than expected), changes in 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;

actual or perceived 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 obtain additional capital to support our long-term liquidity needs and to protect our credit ratings and the financial strength ratings of our subsidiaries;

our ability to satisfy the covenants contained in our credit agreement (including, but not limited to, financial covenants), which, if we are unable to satisfy, could lead to a default on the terms of that loan, upon which the lenders representing a majority of the debt under our credit agreement would have the right to terminate all commitments under the credit agreement and declare the outstanding debt due and payable;

risks faced by the businesses, municipalities or pools of assets covered by our insurance;

a decrease in the volume of home mortgage originations due to reduced liquidity in the lending market, tighter underwriting standards and a deterioration in housing markets throughout the U.S.;

a decrease in the volume of the municipal bonds, and other public finance and structured finance transactions that we insure, or a decrease in the volume of such transactions for which issuers or investors seek or demand financial guaranty insurance;

the loss of a customer for whom we write a significant amount of mortgage insurance or financial guaranty insurance or the influence of large customers;

reduction in the volume of reinsurance business available to us from one or more of our primary financial guaranty insurer customers due to adverse changes in their ability to generate new profitable direct financial guaranty insurance or their need for us to reinsure their risk;

disruption in the servicing of mortgages covered by our insurance policies;

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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 (ARMs) and interest-only mortgages, which have resulted in increased losses in 2007 and 2008 and may 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;

downgrades or threatened downgrades of, or other ratings actions with respect to, our credit ratings or the insurance financial strength ratings assigned by the major rating agencies to any of our rated insurance subsidiaries at any time (in particular, our credit rating and the financial strength ratings of our insurance subsidiaries that are currently under review for possible downgrade);

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), from alternative products such as 80-10-10 loans or other forms of simultaneous second loan structures used by mortgage lenders, from investors using forms of credit enhancement other than mortgage insurance as a partial or complete substitution for private mortgage insurance and from mortgage lenders that demand increased participation in revenue sharing arrangements such as captive reinsurance arrangements;

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 status from both Freddie Mac and Fannie Mae;

heightened competition for financial guaranty business from other financial guaranty insurers, including those recently downgraded to ratings equal to or lower than our ratings, from other forms of credit enhancement such as letters of credit, guaranties and credit default swaps provided by foreign and domestic banks and other financial institutions and from alternative structures that may permit insurers to securitize assets more cost-effectively without the need for the types of credit enhancement we offer, or result in our having to reduce the premium we charge for our products;

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 private lawsuits or investigations (or the possibility of additional private lawsuits or 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, are violative of the Real Estate Settlement Procedures Act (RESPA) and/or similar state regulations, (ii) legislative and regulatory changes affecting demand for private mortgage insurance or financial guaranty 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 for our 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;

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changes in accounting guidance from the Securities and Exchange Commission (SEC) or the Financial Accounting Standards Board (FASB);

our ability to profitably grow our insurance businesses in international markets, which depends on a number of factors such as foreign governments monetary policies and regulatory requirements, foreign currency exchange rate fluctuations, and our ability to develop and market products appropriate to foreign markets;

the possibility that we may not be able to achieve and maintain effective internal control over our financial reporting;

legal and other limitations on the amount of dividends or other distributions we may receive from our subsidiaries; and

vulnerability to the performance of our strategic investments, including in particular, our investment in Sherman.

We urge you to consider these factors before investing in our securities. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date of this prospectus. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements made in this prospectus to reflect new information or future events or for any other reason. These risks and uncertainties, as well as certain additional risks, are described in greater detail in the Risk Factors section beginning on page 13 of this prospectus.

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SUMMARY

The information below is only a summary of more detailed information included elsewhere, or incorporated by reference, in this prospectus. This summary may not contain all the information that is important to you or that you should consider before making a decision to invest in our securities. For a more complete understanding of us and this offering of our securities, please read this entire prospectus, especially the risks of investing in our securities discussed under Risk Factors, as well as the information incorporated by reference into this prospectus.

Radian Group Inc.

We are a credit enhancement company. Our current strategic objective is to prudently grow our core mortgage credit enhancement and financial guaranty businesses while providing value to our clients in the acquisition, management and distribution of credit risk, primarily in domestic and also in limited international markets. We develop and deliver credit enhancement products by applying our credit risk expertise and structured finance capabilities to the credit enhancement needs of our counterparties.

We offer products and services through three business segments mortgage insurance, financial guaranty and financial services:

- Our mortgage insurance business provides credit protection for mortgage lenders and other financial services companies on residential mortgage assets, primarily through traditional mortgage insurance, as well as on other mortgage-backed structured products.

- Our financial guaranty business insures and reinsures municipal bonds and other credit-based risks and provides synthetic credit protection on various asset classes through credit default swaps.

- Our financial services business is conducted through Sherman, a less than majority-owned joint venture. Sherman is principally engaged in purchasing and collecting for its own account delinquent consumer receivables, which are primarily unsecured, and in originating and servicing subprime credit card receivables. We also have a minority interest in C-BASS, a mortgage investment company. In 2007, C-BASS ceased its operations and sold its loan servicing platform. C-BASS is currently managing its portfolio pursuant to a consensual, non-bankruptcy restructuring, under which its assets are to be paid out over time to its secured and unsecured creditors, including us. We currently ascribe no value to our ownership interest in C-BASS and have no further financial commitments to C-BASS.

The following shows the allocation of our equity to our three business segments at March 31, 2008:

	Equity
Mortgage Insurance	46%
Financial Guaranty	49%
Financial Services	5%

A summary of financial information for each of our business segments and a discussion of net premiums earned attributable to our domestic and international operations for each of the last three fiscal years and the quarter ended March 31, 2008 is included in Segment Reporting in Note 20 and Note 6 of the Notes to our Consolidated Financial Statements contained in our Form 10-K for the year ended December 31, 2007 and our quarterly report on Form 10-Q for the quarter ended March 31, 2008, respectively, incorporated by reference herein.

Background. We began conducting business as CMAC Investment Corporation, a Delaware corporation, following our spin-off from Commonwealth Land Title Insurance Company through an initial public offering on November 6, 1992. On June 9, 1999, we merged with Amerin Corporation, an Illinois based mortgage insurance company, and were renamed Radian Group Inc. (Radian). On February 28, 2001, we entered the financial guaranty insurance business and the financial services business through our acquisition of Enhance Financial Services Group Inc. (EFSG), a New York-based insurance holding company that owns our principal financial guaranty subsidiaries, Radian Asset Assurance Inc. (Radian Asset) and Radian Asset Assurance Limited (RAAL). That acquisition also included an equity interest in Sherman and C-BASS.

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Recent Development. On May 15, 2008, we completed an amendment to our revolving credit facility. The amendment eliminates the ratings covenant included in our original facility and provides us with greater flexibility with respect to the minimum net worth that we must maintain. In return, we agreed to certain other conditions and covenants, including to secure the facility and reduce the commitment size from $400 million to $250 million, with further reductions to $150 million to take place if certain repayment events occur. See our current report on Form 8-K filed with the SEC on May 6, 2008 for more information regarding this amendment. As of May 2008, the holders of our senior debt and the bondholders under the related indentures hold a security interest in the following assets, including, for the holders of our senior debt, substantially all of the personal property of Radian, other than the equity interests of EFSG, Radian Guaranty Inc. and Radian Asset, and for the holders of our senior debt and the bondholders, all capital stock and other equity interests of Radian Guaranty Inc. Under the credit agreement, the Company may be required to pledge the equity of EFSG and Radian Asset Securities Inc.

Mortgage Insurance

Private mortgage insurance covers losses from homeowner defaults on residential first-lien mortgage loans and expands home ownership opportunities by helping people purchase homes with less than 20% down payments. If the homeowner defaults, private mortgage insurance reduces and, in some instances, eliminates the loss to the insured institution. Private mortgage insurance also facilitates the sale of low down payment mortgage loans in the secondary mortgage market, including to Fannie Mae and Freddie Mac. In this prospectus, we refer to Fannie Mae and Freddie Mac collectively as Government Sponsored Enterprises (GSEs). In addition to mortgage insurance on first-liens, we, through our subsidiaries, provide home mortgage lenders with various underwriting and other services and products related to home mortgage lending. In general, there are two principal types of private mortgage insurance: primary and pool.

Primary Mortgage Insurance. Primary mortgage insurance provides protection against mortgage defaults on prime and non-prime mortgages at a specified coverage percentage. When there is a claim, the coverage percentage is applied to the claim amount which consists of the unpaid loan principal, plus past due interest and certain expenses associated with the default to determine our maximum liability. We also have the right to pay the full claim amount and take title to the property if we desire. We provide primary mortgage insurance on both a flow basis (which is loan-by-loan) and a structured basis (in which we insure a group of individual loans). Our structured business can be written in a second to pay or second-loss position, meaning that we are not required to make a payment until a certain aggregate amount of losses have already been recognized.

In 2007, we wrote $57.1 billion of primary mortgage insurance, of which 70.6% was originated on a flow basis and 29.4% was originated on a structured basis, compared to $40.1 billion of primary mortgage insurance written in 2006, of which 63.2% was originated on a flow basis and 36.8% was originated on a structured basis. Primary insurance on first-lien mortgages made up 91.6% of our total first-lien mortgage insurance risk in force at March 31, 2008.

Pool Insurance. We offer pool insurance on a limited basis. Pool insurance differs from primary insurance in that our maximum liability is not limited to a specific coverage percentage on each individual mortgage. Instead, an aggregate exposure limit, or stop loss, generally between 1% and 10%, is applied to the initial aggregate loan balance on a group or pool of mortgages. In addition to having a stop loss, many pool policies are written in a second-loss position. We believe the deductible and stop loss features are important in limiting our exposure on a specified pool. In 2007, we wrote $261 million of pool insurance risk, compared to $359 million of pool insurance risk written in 2006. Pool insurance on first-lien mortgages made up approximately 8.4% of our total first-lien mortgage insurance risk in force at March 31, 2008.

We have written most of our pool insurance in the form of credit enhancement on residential mortgage loans underlying residential mortgage-backed securities, whole loan sales and other structured transactions. An insured

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pool of mortgages may contain mortgages that are already covered by primary mortgage insurance, and the pool insurance is secondary to any primary mortgage insurance that exists on mortgages within the pool. Generally, the mortgages we insure with pool insurance are similar to primary insured mortgages.

Modified Pool Insurance. We also write modified pool insurance, which differs from standard pool insurance in that it includes an exposure limit on each individual loan as well as a stop loss feature for the entire pool of loans. Modified pool insurance and the related risk in force is included in our primary mortgage statistics.

Non-Traditional Forms of Credit Enhancement. In addition to traditional mortgage insurance, we have provided other forms of credit enhancement on residential mortgage assets. These products include second-lien mortgages, credit enhancement on net interest margin securities (which we sometimes refer to as NIMS), domestic credit default swaps and international mortgage insurance. Until recently, these products were a growing part of our total mortgage insurance business. However, in light of the housing and credit market turmoil, we stopped writing all non-traditional business other than international mortgage insurance. Current opportunities to write international mortgage insurance on terms that are acceptable to us have been limited.

Second-Lien Mortgages. In addition to insuring first-lien mortgages, we provided, to a lesser extent, primary or modified pool insurance on second-lien mortgages. Beginning in 2006, we limited our transactions in this business to situations (1) where there was a loss deductible or other first-loss protection that preceded our loss exposure or (2) where a lender otherwise was required to share in a significant portion of any losses. We wrote $30 million of second-lien mortgage insurance risk in 2007, compared to $280 million of risk written in 2006 and $668 million written in 2005. We ceased writing this business in the second half of 2007 and do not intend to write any more of this business in the future.

NIMS. We provided credit enhancement on NIMS bonds. A NIMS bond represents the securitization of a portion of the excess cash flow and prepayment penalties from a mortgage-backed security comprised mostly of subprime mortgages. The majority of this excess cash flow consists of the spread between the interest rate on the mortgage-backed security and the interest generated from the underlying mortgage collateral. The $604 million of risk in force associated with NIMS at December 31, 2007, representing 1.3% of our total mortgage related risk in force, comprised 37 deals with an average notional balance of $16 million ($59 million at origination) and a total notional balance of $704 million. Approximately 39%, or $234 million, of our total risk in force on NIMS as of December 31, 2007 was written in the first half of 2007. We ceased writing this business in the second half of 2007 and do not intend to write any more of this business in the future.

Domestic Credit Default Swaps. In our mortgage insurance business, we sold protection on residential mortgage-backed securities through credit default swaps. A credit default swap operates much like a financial guaranty insurance policy in that our obligation to pay is absolute. In 2007, our mortgage insurance segment did not write any new credit protection on residential mortgage-backed securities in credit default swap form, compared to $32 million in notional value written in 2006. We are not currently writing any such business.

International Mortgage Insurance Operations. Our International Mortgage Group reviews and assesses international markets for opportunities to expand our mortgage insurance operations in areas where we believe our business would produce acceptable risk adjusted returns. In the fourth quarter of 2005, we wrote credit default swaps on two large AAA international prime residential mortgage-backed securities, one backed by mortgages in Germany and one by mortgages in Denmark. In 2006 and 2007, we wrote $86 million and $197 million, respectively, of mortgage insurance risk related to our international business in Hong Kong and Australia. At March 31, 2008, our U.S. dollar-denominated risk in force related to international mortgage insurance business was $9.5 billion, including $8.7 billion related to the AAA credit default swaps, collectively representing 20.3% of our total mortgage related risk in force. On April 8, 2008, Standard and Poor s Ratings Service (S&P) downgraded our operating subsidiary, Radian Insurance Inc. (Radian Insurance), from A- to BBB. Our NIMS and second-lien mortgage businesses were conducted through Radian Insurance. S&P stated that it downgraded Radian Insurance because S&P no longer viewed Radian Insurance to be a core subsidiary to us due to our election to put our NIMS and second-lien businesses into run-off. Of our eight active international transactions, six have early termination clauses that have been triggered as a result of S&P s downgrade, which allow our counterparties to terminate these transactions. There can be no assurance that we will be able to retain this business. We believe the S&P downgrade will make it difficult for us to continue to write international mortgage insurance business through Radian Insurance, and we are in the process of exploring other alternatives for writing such business.

Financial Guaranty

Our financial guaranty business mainly insures and reinsures credit-based risks through our wholly-owned subsidiary, Radian Asset, and through its wholly-owned subsidiary, RAAL, located in the United Kingdom. Financial guaranty insurance typically provides an unconditional and irrevocable guaranty to the holder of a financial obligation of full and timely payment of principal and interest when due. Financial guaranty insurance may be issued at inception of an insured obligation or may be issued, for the benefit of a holder of an obligation in the secondary market, to institutional holders. Financial guaranty insurance generally lowers an issuer s cost of borrowing when the insurance premium is less than the value of the spread (commonly referred to as the credit spread) between the market yield required to be paid on the insured obligation (carrying the credit rating of the insurer) and the market yield required to be paid on the obligation if sold on the basis of its uninsured credit rating. Financial guaranty insurance also can increase the marketability of obligations issued by infrequent or unknown issuers or obligations with complex structures. Investors generally benefit from financial guaranty insurance through increased liquidity in the secondary market, reduced exposure to price volatility caused by changes in the credit quality of the underlying insured issue and added protection against loss in the event of the obligor s default on its obligation. Our financial guaranty business offers the following products:

Public Finance Direct. Insurance of public finance obligations, including tax-exempt and taxable indebtedness of states, counties, cities, special service districts, other political subdivisions and tribal finance and for enterprises such as airports, public and private higher education and health care facilities, project finance and private finance initiative assets in sectors such as schools, healthcare and infrastructure projects. The issuers of public finance obligations we insure are typically rated investment-grade without the benefit of our insurance. Public finance business, including credit derivatives, represented 26.8% of financial guaranty net insurance premiums written in 2007, as compared to 30.5% in 2006.

Structured Finance Direct and Financial Solutions Direct. Insurance of structured finance obligations, including asset-backed securities (ABS), consisting of funded and non-funded (synthetic) obligations that are payable from or tied to the performance of a specific pool of assets. Examples of the pools of assets that underlie structured finance obligations include corporate loans and bonds, residential and commercial mortgages, a variety of consumer loans, tax credits, equipment receivables and real and personal property leases. The structured finance obligations we insure are generally rated investment-grade at the time we issue our insurance policy, without the benefit of insurance. Financial solutions products (which we include as part of our structured finance business) include guaranties for securities exchange clearinghouses, excess Securities Investor Protection Corporation (SIPC) insurance for U.S. brokerage firms, and excess-Federal Deposit Insurance Corporation (FDIC) insurance for U.S. banks. Structured finance direct business, including financial solutions direct business, represented 25.3% of financial guaranty net premiums written in 2007, including credit derivatives, compared to 29.7% in 2006.

Reinsurance. Reinsurance of domestic and international public finance obligations, including those issued by sovereign and sub-sovereign entities, as well as reinsurance of structured finance and financial solutions obligations. Net premiums written on reinsurance business represented 47.3% of financial guaranty gross premiums written in 2007, as compared to 37.9% in 2006.

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In March 2008, we decided to discontinue writing, for the foreseeable future, new insurance on synthetic collateralized debt obligations (CDOs) and have significantly reduced our structured products operations, primarily in areas related to CDOs. This decision was based on the deterioration and uncertainties in the credit markets in which we and other financial guarantors participate, which has significantly reduced the volume of CDOs and other structured products that are available for our insurance. Consequently, we expect the overall volume of structured finance business that we insure in 2008 to be significantly below the levels we insured in prior years.

Financial Services

Our financial services segment includes the credit-based business conducted through Sherman. We currently hold a 21.8% equity interest in Sherman. Sherman is a consumer asset and servicing firm specializing in charged-off and bankruptcy plan consumer assets, which are generally unsecured, that Sherman typically purchases at deep discounts from national financial institutions and major retail corporations and subsequently seeks to collect. In addition, Sherman originates subprime credit card receivables through its subsidiary Credit One Financial (Credit One) and has a variety of other similar ventures related to consumer assets. On September 19, 2007, we sold to an entity owned by Sherman s management approximately 43.4% of our equity interest in Sherman. Concurrent with this sale, we also granted to another entity owned by Sherman s management the right to purchase our remaining 21.8% equity interest in Sherman at any time before September 19, 2008. See Note 7 of Notes to Condensed Consolidated Financial Statements included in our quarterly report on Form 10-Q for the three months ended March 31, 2008, incorporated by reference herein, for more information regarding the sale of a portion of our equity interest in Sherman and the option granted to Sherman s management.

Our financial services segment also includes C-BASS, an unconsolidated investment that is not controlled by us. Historically, C-BASS was principally engaged as a mortgage investment and servicing company specializing in the credit risk of subprime single-family residential mortgages. As a result of the disruption in the subprime mortgage market during 2007, C-BASS ceased purchasing mortgages and mortgage securities and its securitization activities in the third quarter of 2007 and sold its loan-servicing platform in the fourth quarter of 2007. We currently ascribe no value to our 46% ownership interest in C-BASS and have no further financial commitments to C-BASS. See Management s Discussion and Analysis of Financial Condition and Results of Operations Business Summary Financial Services C-BASS in our Annual Report on Form 10-K for the year ended December 31, 2007, incorporated by reference herein, for more information regarding the events leading to the impairment of our interest in C-BASS as well as the sale of C-BASS s servicing platform.

Recent Industry Developments and Outlook

Mortgage Insurance

The private mortgage insurance industry in the United States is defined in part by the requirements and practices of the GSEs and other large mortgage investors, and these requirements and practices impact the operating results and financial performance of mortgage insurance companies. As part of their governmental mandate to provide liquidity in the secondary mortgage market, the GSEs purchase residential mortgages from mortgage lenders and investors. The GSEs purchased approximately 53.6%, 37.4% and 37.3% of the mortgage loans originated in the United States for the years ended December 31, 2007, 2006 and 2005, respectively, according to Inside Mortgage Finance, a mortgage industry publication. We believe that over 50% of the mortgages underlying our flow new insurance written in 2007, 2006 and 2005 were purchased by the GSEs.

The U.S. residential mortgage market grew significantly between 2001 and mid-2006 as a result of record home sales, strong home price appreciation and historically low interest rates. The private mortgage insurance industry experienced profitable insurance underwriting results during this period, when the labor market was also

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generally strong. During this period and continuing into 2007, the mortgage lending industry increasingly made home loans: (i) at higher loan-to-value (LTV) ratios and higher combined LTV ratios, which take into account second-lien mortgages as well as the LTV ratios of first-lien mortgages; (ii) to individuals with higher risk credit profiles; and (iii) based on less documentation and verification of information provided by the borrower.

The more recent deterioration of the U.S. residential mortgage, housing, labor, credit and capital markets resulted in significant adverse developments for the mortgage insurance industry, which experienced a significant downturn in the second half of 2007. Higher average insured loan sizes, a larger percentage of insured loans with no down payment, the resetting of mortgage rates on ARMs and the inability to mitigate losses through the sale of properties in some regions due to slowing home price appreciation or home price declines all contributed to an increase in the number of defaults by homeowners, the rate at which loans in default eventually resulted in a claim, particularly in large markets such as California and Florida, and the average amounts paid on a claim.

In 2007, mortgage lenders, financial institutions, and we and other private mortgage insurers began incurring significant credit losses, particularly with respect to loans with multiple high-risk characteristics referred to above. In 2007, compared to 2006, our mortgage insurance losses increased to $1.2 billion from $348.6 million; we had a net loss of $695.4 million compared to net income of $282.8 million; and our year-end default inventory was 60,848 primary loans compared to 42,700 primary loans. For the quarter ended March 31, 2008, compared to the corresponding period in 2007, our mortgage insurance losses increased to $571.0 million from $112.9 million; we had a net loss of $226.5 million compared to net income of $44.7 million; and our quarter-end default inventory was 69,125 primary loans compared to 40,354 primary loans. Our mortgage insurance business is likely to incur considerable losses for some period of time with respect to our existing book of business.

In early 2007, we changed our underwriting standards and ceased writing insurance on a limited set of loans even though these loans were approved under the GSEs automated underwriting guidelines. We also ceased writing NIMS and second-lien mortgages in the second half of 2007. In the fourth quarter of 2007, we stopped insuring loans included in home equity securitizations. In late 2007 and early 2008, we implemented increases in our premium rates and further tightened our underwriting standards, particularly as they apply to loans with lower credit scores, with high LTV ratios and which are supported by little or no documentation and for homes in metropolitan statistical areas that are declining in value based on available government data.

We believe that recent losses experienced by mortgage lenders and financial institutions, the disappearance from the mortgage market of many previous alternatives to mortgage insurance (e.g., 80-10-10 or other types of piggy-back loans), and concerns about residential mortgage credit quality have led to increased interest in the credit protection provided by mortgage insurance. The private mortgage insurance penetration rate (the principal balance of loans insured by our industry during a period divided by the principal balance of all loans originated during that period) increased from approximately 8.5% in early 2006 to approximately 20.0% in the fourth quarter of 2007. The penetration rate was down to 13.0% in the first quarter of 2008 due to heavier refinancing activity and an increase in loans insured by the FHA.

Our persistency rate (the percentage of insurance remaining in force from the previous year) increased to 75.4% at December 31, 2007 from 67.3% at December 31, 2006 and 58.2% at December 31, 2005, and was 77.5% for the 12 months ended March 31, 2008. We believe that the increase in persistency was largely attributable to the reduced refinancing capacity in the current mortgage market and lower level of home sales compared to prior years, due in part to declines in housing values in many markets. We believe that the changes in our underwriting guidelines and increase in our prices will likely result in increased profitability on our 2008 book. However, we cannot assure you that our 2008 book or future books will be profitable, or to what extent. The changes in our underwriting standards do not affect business written before the changes become effective. As a consequence, we expect our results of operations (which are affected by all of our insurance in force) will be materially adversely affected for the next several years by the mortgage insurance that we wrote prior to 2008.

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We believe we have adequate resources to pay claims on our insurance in force, even in highly stressed loss scenarios. However, we believe that we will need additional capital to fully take advantage of underwriting opportunities currently available in 2008 and for subsequent years. The additional capital we need is highly dependent on the volume of business we write in 2008 and 2009 and on the amount of our paid and incurred losses in those years. We may seek capital in addition to the amount we raise in this offering, including by issuing additional equity or debt securities. We may consider strategic alternatives involving Radian Asset Assurance, the ultimate goal of which will be to preserve the existing and future value of Radian Asset Assurance. There can be no assurance that we will be successful in raising additional capital on favorable terms, if at all. If necessary, we also may seek to sell all or a portion of our remaining interest in Sherman, subject to the existing option with Sherman s management, although we cannot be certain that we would be able to sell our interest in Sherman on favorable terms, if at all. In addition, we are evaluating various reinsurance options as part of a comprehensive risk management strategy that would reduce our need for additional capital. Reinsurance could cover a portion of our existing portfolio or new writings on either a quota share or an excess of loss basis and could be provided by third-party reinsurers or the capital markets. We cannot assure you that we will be able to enter into reinsurance arrangements on terms satisfactory to us or at all. In addition to any reinsurance arrangements, we may raise additional capital by issuing additional equity or debt securities.

Financial Guaranty Insurance

Our financial guaranty business is materially affected by the financial debt markets and general economic conditions, primarily in the United States. We believe that the financial guaranty business generally performs well within normal economic cycles. For example, a strong economic environment with good or improving credit is beneficial to our financial guaranty portfolio. However, such conditions, if in place for an extended period, will reduce credit spreads and result in lower pricing. Conversely, in a deteriorating credit environment, credit spreads widen and pricing for our product improves. However, if the weakening environment is sudden, pronounced or prolonged, the stresses on our portfolio could result in claims payments in excess of normal or historical expectations.

The second half of 2007 was characterized by a global credit crisis that created difficult market conditions. These conditions resulted in widening credit spreads, a lack of price transparency and illiquidity of some of the structured products that we insure, losses incurred by financial guarantors, including us, on RMBS, CDOs of ABS and other credit positions, uncertainty as to the extent of future losses among financial guarantors, including us, and perceived instability in the franchise values and ratings of many of the financial guarantors, including us. These market conditions have continued during the first quarter of 2008. Because of these market conditions and recent rating agency actions with respect to Radian Asset, new business production in 2008 declined significantly as compared to prior periods. If such conditions continue or worsen during the remainder of 2008, Radian Asset will continue to face a very challenging business environment and we may be required to reevaluate our strategic objective for our financial guaranty business, including the possibility of further reducing or eliminating new business activities.

Competitive Strengths

Diversified Credit Enhancement Company

Since our spin-off from Commonwealth Land Title Insurance Company through our initial public offering in 1992, we have grown both organically and through acquisitions into a significant presence in the credit enhancement industry. We manage significant operations in both the mortgage insurance and financial guaranty industries, as well as equity investments in other financial services companies. We believe that our substantial participation in multiple markets will enable us to capitalize on the significant business opportunities we believe are currently available or that we expect may become available in the future.

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We strive to diversify our business by taking credit risk in various forms across various asset classes, products and geographies. Our clients include mortgage originators, GSEs, corporations and other financial service entities. Our risks are diversified among industry sectors (for example, mortgage insurance, financial guaranty, and distressed consumer assets through our investment in Sherman), segment of the economy (for example, residential real estate, municipal bonds, corporate CDOs, various industries), structure of risk (for example, direct, reinsurance, flow, pool) geography (for example, various U.S. regions, international), and other important areas of diversification. In the current market environment, we believe the stability afforded by our diverse exposures will provide us with greater balance than would be possible for a company with a narrower focus.

Strong Customer Relationships

We have developed a strong mortgage insurance franchise by focusing on forging strong relationships with larger, well capitalized lenders. During the first quarter of 2008, we wrote significant new business with the majority of the 2007 top 10 residential mortgage originators, many of which we count among our top clients in terms of year-to-date primary flow new insurance written. Our relationships are built on a foundation of customer service, customized solutions and operational excellence over a period of many years.

Our financial guaranty business has developed a niche business as a AA rated financial guaranty company. It has also formed strong relationships with its customers which are typically large commercial or investment banks that focus on high-quality deals in the public finance and structured finance markets. We have insured over 2,000 deals in the public finance market, primarily for investment grade credits in underserved sectors where we believe we have a unique position. We are also a leading provider of reinsurance capacity to primary financial guaranty insurers, bringing to market significant facultative capacity to the leading financial guarantors. We specialize in reinsurance of public finance risk. Over 87% of our reinsurance par outstanding is public finance, and we expect public finance reinsurance will constitute a significant amount of new insurance written for the industry going forward.

Current Strategy

Our current strategic objective is to prudently grow our core mortgage credit enhancement and financial guaranty businesses, while also providing value to our clients in the acquisition, management and distribution of credit risk. The key components of our strategy for each of our business segments are as follows:

Mortgage Insurance

We are encouraged by recent positive trends in the mortgage insurance market. The recent market turmoil has led to a tightening of our customers mortgage underwriting standards, which we believe may result in better performing books of mostly prime business in the future. We are also seeing an increased demand for our traditional mortgage insurance products since alternative products, such as 80-10-10 mortgages, have declined significantly. Our strategic objective for mortgage insurance is to position this business to capitalize on these positive trends, while continuing to effectively manage our current insured books of business through the current housing downturn.

- We intend to expand our field sales force and contract underwriting services to improve client relationships and increase our share of profitable business;

- We intend to deploy new systems that manage pricing and eligibility requirements, billing processes and overall client connectivity to drive process improvements that will further reduce costs, increase returns and enhance client service;

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We plan to continue making significant adjustments to pricing policies and guidelines to produce acceptable risk adjusted returns. Our goal is to write lower volatility business to conserve capital through economic cycles. As a result of these changes, we have begun to see a positive shift in our overall business mix. In the first quarter of 2008, approximately 90% of our new business production was prime business, compared to 39% and 77% of new prime business generated in the first and fourth quarters of 2007, respectively.

We intend to preserve capital through aggressive loss mitigation and claims management. Recently, we have begun placing personnel on-site with our servicing partners to improve communication and workflow, allowing us to act more quickly to reduce loss exposure, and in early 2008, we launched Fast Advance, a program where we advance up to 15% of a projected claim amount to invest in a rate buy-down or loan modification. To date, Fast Advance cure rates have been approximately 70%. Our customer outreach programs include a borrower website and consumer credit counseling services that provide guidance to borrowers facing payment problems. Our goal is to preserve home ownership whenever possible.

Financial Guaranty

In financial guaranty, we plan to take measures that allow us to limit our exposure while pursuing attractive market opportunities to write quality business. As a result of the significant decline in the volume of CDOs and other structured products that are available for our insurance, we have decided to discontinue, for the foreseeable future, writing new insurance on synthetic CDOs and have significantly reduced our structured products operations, primarily in areas related to CDOs. We are now focusing our structured finance efforts in the areas of infrastructure finance (*i.e.*, providing credit protection on essential public finance initiatives, public-private partnerships and project finance projects), financial solutions and ABS involving target niche issuers in well understood sectors and strong credit in non-traditional sectors. In addition, we are continuing to focus on building upon our reinsurance business. In the direct public finance area, we are targeting underserved market segments of the municipal market with a particular emphasis on sectors relating to land secured financings, education, health care and senior living facilities.

In conjunction with evaluating our capital options, we also may consider strategic alternatives to enhance and maximize the value of our financial guaranty subsidiary Radian Asset. We will continue to evaluate opportunities as they arise over time, particularly as market valuations for the financial guaranty sector recover and there is greater appreciation of Radian Asset s strong relative position in the industry.

Risk Factors

Investing in our securities is risky. Please read Risk Factors and the other information in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in our securities.

Corporate Information

We are a Delaware corporation. Our principal office is located at 1601 Market Street, Philadelphia, Pennsylvania 19103, and our telephone number is (215) 231-1000. We maintain a website with the address *www.radian.biz*. We are not including or incorporating by reference the information contained on our website into this prospectus.

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THE OFFERING

The summary below describes some of the terms of the offering. For a more complete description of our common stock, see Description of Capital Stock.

Issuer	Radian Group Inc.
Common stock offered	shares