

Radian Group Inc.

RADIAN

**Guidelines of
Corporate Governance**

November 2013

Guidelines of Corporate Governance

The Board of Directors (the “Board”) of Radian Group Inc. (“Radian” or the “Company”) has established guidelines for corporate governance based on an assessment of the best corporate practices and the best approach for Radian. These guidelines are revised when the Board determines that changes are appropriate. Independent directors make decisions on matters of corporate governance.

Role and Composition of the Board of Directors

The Board is elected by the stockholders. The directors’ fundamental responsibility is to exercise their business judgment in a manner they reasonably believe to be in the best interests of the Company and its stockholders.

1. Board Composition and Qualifications

The Board determines the number of directors and ensures that a substantial majority of directors are independent, as independence is determined by the Board based on the New York Stock Exchange listing standards and applicable SEC rules. With respect to a director’s relationship with the Company that does not compromise the director’s independence per se under the NYSE listing standards and applicable SEC rules, the other directors who are independent will determine whether such relationship is “material.”

The Board selects members who are able and prepared to devote sufficient time and effort to the Company. The Governance Committee identifies and recommends potential candidates to the Board. The Board formally assesses the directors’ relevant skills and characteristics, financial expertise and diversity, and in its nomination and selection process strives to supplement and/or complement the breadth and depth of Board expertise. The Board considers diversity in a broad sense to mean differences of viewpoint, background, professional experience and skill resulting in naturally varying perspectives as well as diversity of race, gender, national origin and age.

The Board establishes the criteria for identifying individuals qualified to become Board members. The minimum criteria for selecting director nominees include, but are not limited to, the following:

- Highest standards of personal character, conduct and integrity and the intention and ability to act in the interests of all stockholders.

- The ability to understand and exercise sound judgment on issues related to the Company and its business.
- The ability and commitment to devote the time and effort required to serve effectively on the Board, including preparation for and attendance at Board and committee meetings.
- Freedom from interests or affiliations that could give rise to a biased approach to directorship responsibilities and/or a conflict of interest, actual or perceived.

Directors are expected to attend all scheduled meetings of the full Board and the committees on which they serve, as well as the Company's annual stockholders' meeting.

Stockholders may recommend qualified individuals to be considered for director, as provided in the Company's bylaws.

2. Board Leadership – Non-Executive Chairman of the Board

The Board appoints the Non-executive Chairman of the Board (the "Chairman"). The Chairman is responsible for the management, development and effective performance of the Board, and provides leadership to the Board for all aspects of the Board's work.

The Chairman acts in an advisory capacity to the Chief Executive Officer (the "CEO") and to other members of management in all matters concerning the interests of the Board and relationships between management and the Board.

The Chairman:

- Chairs the Board meetings.
- Chairs meetings of the independent directors.
- Plans and organizes the activities of the Board in consultation with the CEO, including:
 - preparation for, and conduct of, Board meetings;
 - monitoring the quality, quantity and timeliness of the information that goes to the Board;
 - facilitating ongoing formal and informal communications with and among directors; and
 - acting as principal liaison between the independent directors and the CEO.

- Participates with the Compensation and Human Resources Committee (the “Compensation Committee”) in evaluating and recommending director compensation (other than his own compensation) and reviewing management succession.
- Chairs the annual and any special meetings of stockholders.
- In conjunction with the Governance Committee:
 - evaluates the Board’s effectiveness and assists with the implementation of any governance improvements;
 - promotes and facilitates Board education;
 - supports Board succession planning; and
 - participates in the directors’ peer review process.
- Participates with the Compensation Committee in establishing the performance goals and assessment of the CEO in meeting agreed upon targets.
- Consults with the CEO and management in the planning of strategy meetings.
- Participates with the respective committee chairpersons in retaining consultants who report directly to the Board.
- On an as-needed basis, represents the Board at management meetings and at meetings with investors and others.
- Attends, as a non-voting participant, all meetings of all Board committees.
- Carries out special assignments at the request of the CEO or the Board.

3. Risk Oversight

The Board ensures that management has in place effective systems and processes for managing risk. The Board meets, on a quarterly basis, with management to review the Company’s enterprise risk management process, which is designed to identify, assess, manage and mitigate risks. In addition, the Board allocates risk oversight among its committees as follows:

- The Audit Committee has risk oversight responsibilities regarding the Company’s financial risk exposures, including the risk of fraud, and legal and compliance risks.
- The Credit Committee has risk oversight responsibilities regarding the Company’s credit and related risk management policies and procedures, including the potential impact of developing risk trends in the Company’s insured portfolios.

- The Compensation and Human Resources committee has risk oversight responsibilities for monitoring the Company's executive compensation programs to ensure that they are achieving their intended purposes without encouraging inappropriate risk taking.
- The Finance and Investment Committee has risk oversight responsibilities for risks related to the Company's investment portfolio and liquidity and capital positions.
- The Governance Committee has risk oversight responsibilities for risk exposures related to the Company's corporate governance, including oversight of the Related Person Transaction Policy to ensure that the Company does not engage in transactions that would create or give the impression of a conflict of interest that could cause harm to the Company.

4. Selection of the CEO

The Board appoints the CEO. The CEO is the most senior executive of the Company and is responsible for:

- Providing strong, ethical and principled leadership of the Company's businesses;
- Establishing the Company's mission and core values;
- Determining corporate strategies and policies;
- Ensuring complete and accurate disclosures of financial, operational and management matters to the Board for its consideration in the approval process;
- Ensuring regulatory compliance and the integrity of all financial filings and other corporate communications; and
- Providing data and information to the Board so that the directors may be current with respect to Company, industry, and corporate governance matters.

5. Board Member Orientation

New directors undergo appropriate orientation to understand Radian's businesses, management, Code of Conduct and Ethics and systems of internal controls.

6. Change in Business Activities / Service on other Boards

Any significant change in the business activities of a Board member, including directorships, executive positions or chair

positions in other companies, is required to be promptly communicated to the Chairman and Chair of the Governance Committee for review. The Board, upon the recommendation of the Governance Committee, will then determine if the change warrants asking the director to resign from the Board. It is the policy of the Board that in this situation a director will agree to resign if so requested.

The CEO may not serve on the board of more than one publicly traded company in addition to the Company.

Without the approval of the Board, no independent director of the Company may: (1) simultaneously serve on the boards of more than two publicly traded companies in addition to the Company; or (2) simultaneously serve on the audit committees of more than two additional publicly traded companies in addition to the Company's Audit Committee. In making its determination, the Board may take into account all factors it deems relevant, including without limitation whether the director is currently employed or retired from full-time employment, the number of public company and private company boards on which the director is currently serving, any actual or perceived conflicts of interest and the director's other commitments.

7. Director Compensation and Stock Ownership

The form and amount of director compensation are determined and reviewed annually by the Compensation and Human Resources Committee of the Board. The guiding principles of the Company's director compensation program are (i) compensation made in proportion to the amount of work required of directors in companies of a comparable size and/or complexity to that of the Company in light of the current business environment and current market and operating conditions, (ii) alignment of directors' interests with the long-term interests of the Company's stockholders, (iii) transparency of the structure of the compensation so that stockholders can easily understand it and (iv) consistency with directors' independence. The Board views equity ownership in the Company as an important means of aligning the directors' interests with those of the Company's stockholders. Each non-employee director is therefore expected to hold a minimum direct investment in shares of Radian, including phantom stock shares, equal to a market value of at least \$350,000. Unless a director holds more than this threshold market value, that director is not permitted to sell shares, options or other holdings or our stock that he or she owns, subject to certain exceptions.

8. Charitable Contributions

Directors who are independent directors shall not solicit the Company to make charitable contributions.

9. Director Succession

The Board, with the primary responsibility delegated to the Governance Committee, maintains a plan of director succession to address departures of directors from the Board. In connection with its nominating function, in which it seeks to identify skills and experience that would complement the breadth and depth of Board expertise, the Governance Committee also considers such skills and experience in light of the Board succession plan and any anticipated or actual departures of directors.

Board Meetings

1. Meeting Frequency and Agenda

The Board holds regularly scheduled meetings at least quarterly and calls special meetings as appropriate. The Chairman, in consultation with the CEO, sets the agenda for Board meetings that includes the items necessary for appropriate Board action and oversight.

2. Board Materials and Management Presentations; Access to Employees and Outside Advisors

Information that is important to the Board's understanding of the business to be discussed is distributed in advance to the extent practicable so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material and other matters. The Board encourages the CEO to schedule managers with expertise and accountability for agenda items under consideration to present at Board meetings. In addition to the scheduled management presentations, directors have free access to all employees of the Company and, as necessary and appropriate, directors may consult with independent legal, financial, accounting or other professional advisors, at the Company's expense, to assist in their duties to the Company and its stockholders.

3. Reliance

Each director is entitled to rely in good faith on (1) corporate records, corporate officers, corporate employees and Board Committees and (2) any other person as to matters reasonably believed to be within the person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company. Directors should be entitled to

rely on the honesty and integrity of their fellow directors and the Company's senior executives and outside advisors and auditors.

4. Independent Directors' Discussion

In connection with each of its regularly scheduled board meetings, the Board holds executive sessions at which management, including the CEO, is not present. The Chairman has the authority to call additional meetings of the independent directors. The Chairman chairs the meetings of independent directors and carries out further responsibilities that the independent directors designate from time to time. Board committees may also hold executive sessions at which management, including the CEO, is not present.

5. Corporate Strategy and Annual Operating Plan

The Board reviews and ratifies Radian's long-term strategic plan and the annual operating plans, as well as the plans of each of its major business units.

The plans include the following components:

- Assessment of markets, products, and customers for each major business segment, as appropriate.
- Review of the competitive strengths and weaknesses of Radian along with opportunities and threats to its position in the marketplace.
- Review of key success factors — including technological leadership, product attributes, and other elements necessary to maintain a competitive advantage.
- Review of critical factors affecting human capital.
- Assessment of the financial flexibility, integrity and strength of each corporate entity and the Company as a whole.
- Analysis of the short- and long-term returns on risk adjusted capital.
- Goals, objectives and implementation plans.

The annual operating plan ties into the strategic plan, but emphasizes the ensuing fiscal year's goals, objectives and key milestones. The operating plan is reviewed against budget quarterly, or more frequently if circumstances require.

Board Committees

The Board carries out certain of its responsibilities through its committees. Committees have access to necessary resources, including Radian employees, and outside consultants and advisors, as they deem necessary. The Board continues its committee oversight throughout the year by hearing reports of the committee chairs at each regularly scheduled Board meeting and having access to the written minutes of the various committee meetings.

1. Number, Structure and Purpose of Committees

The Board has five standing committees: Audit, Compensation and Human Resources, Credit, Finance and Investment and Governance. All five committees consist entirely of independent directors. The Board may constitute additional committees as it deems appropriate.

2. Committee Roles and Responsibilities

Each committee is charged with developing a charter for approval by the Governance Committee and the Board, which defines its purpose, responsibilities and procedures. Each committee is required to perform an annual review of its charter. The following is an outline of each committee's basic role.

- **Audit**

The Audit Committee assists the Board in its responsibilities related to the integrity and reporting of the Company's quarterly and annual financial statements, the independence and performance of the Company's internal and external auditors, the Company's system of internal controls and mechanisms for receiving complaints or orders regarding the Company's accounting procedures.

The Committee is directly responsible for the appointment, compensation and oversight of the external auditors who audit the Company's financial statements.

The Committee reviews, prior to release, the annual audited financial statement information and the unaudited quarterly financial information, including management's discussion and analysis for each period.

The Company maintains, and the Audit Committee reviews activity under, a Code of Conduct and Ethics.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements and

public disclosures. Management is also responsible for maintaining appropriate accounting and financial policies and internal controls along with procedures designed to assure compliance with accounting standards and applicable laws and regulations. Internal audit examines and evaluates business processes including the Company's system of internal controls. The external auditor is responsible for planning and carrying out an audit in accordance with generally accepted auditing standards. Both the Chief Audit Executive and the external auditor report directly to the Committee. The Company requires rotation of the lead partner and the concurring partner of the Company's external auditor every five years and rotation of other partners every seven years.

- **Compensation and Human Resources**

The Compensation and Human Resources Committee oversees corporate compensation and benefit policies and programs for Radian and its subsidiaries. The Committee establishes the compensation and benefit structure of all senior corporate and principal subsidiary officers (except the CEO, which is approved by the independent directors).

Annually, the Committee reviews with the CEO and Chief Administrative Officer the quality and depth of the pool of competent, qualified managers throughout the organization as well as the Company's management development practices and programs. The Committee reviews the performance and potential of key executives and management's efforts to identify and develop high-potential individuals to ensure the continuity of senior leadership. To assist the Committee, the CEO provides an assessment annually of persons considered potential successors to certain senior management positions. The Committee reviews and discusses with management, prior to filing, the Compensation Discussion and Analysis included in the Company's annual proxy statement.

- **Credit**

The Credit Committee oversees our credit and risk management policies and procedures, including oversight of our systems for identifying and quantifying emerging matters that could pose significant risk implications for the Company. The Committee regularly reviews our credit-based risks, credit policies and overall credit management. Specifically, the Committee reviews the quality of our mortgage insurance and financial guaranty portfolios, and assesses general compliance with underwriting and diversification guidelines.

- **Finance and Investment**

The Finance and Investment Committee establishes investment policy guidelines and monitors progress toward achieving investment objectives as well as changes required to meet the current needs of the business. The Committee regularly reviews and evaluates the performance of the investment portfolio and the investment managers and other investment professionals to ensure adherence to policy guidelines. In addition, the Committee oversees the Company's capital structure with a focus on appropriate liquidity levels and the efficient use of capital.

- **Governance**

The Governance Committee oversees the process of Board governance, recommends qualified directors for nomination by the Board and election by stockholders and recommends committee membership and chairs to the Board.

In conjunction with the governance process, the Committee recommends appropriate performance criteria for the Board to evaluate itself, its committees and its members. Individual annual evaluations, which may include the use of an independent expert to augment the Board's internal process, include evaluation of the director's attendance record, independence, preparedness, participation, contribution, continuing education and candor. Director reviews are considered by the Governance Committee in considering directors for nomination for reelection. The Committee sponsors an annual process by which the Board can assess its effectiveness, including the effectiveness of its committees. The Committee also regularly examines the governance process in light of both external and internal issues and makes appropriate recommendations to the Board for any change.

3. Assignment of Committee Members

Annually, the Board appoints committee members and chairs. The Board believes that consistency and experience within committees is an important governance element and rotates committee participation as needs and skills may require.

4. Frequency, Length and Agenda of Committee Meetings

The chair of each committee assures compliance with applicable regulatory requirements with respect to its oversight responsibilities. The chair determines the frequency, length and agenda of committee meetings. Every Board member may suggest agenda items for any committee meeting.

5. Committee Minutes and Records

Committees maintain appropriate minutes of each meeting and make timely reports to the Board with recommendations for approval as the committee's actions may warrant.

6. Continuing Education

Each independent director is encouraged to participate in continuing education programs regarding the Company and its businesses as well as to participate in appropriate external education programs involving their committee roles and responsibilities. Subject to the Chairman's approval of any significant expenses, the Company will reimburse the director for the cost of related external education.

7. Spokesperson

The Company's CEO has the authority and responsibility to designate the public spokesperson(s) for the Company. Individual members of the Board may, from time to time at the request of the CEO or the Board, meet or otherwise communicate with various constituencies on matters related to the Company.

Evaluation and Management Succession

As an ongoing process, the Board examines itself, its governance policies, its practices, and performance as well as the performance of the CEO and the Company's senior managers together with the Company's management succession plan.

1. Board Self-Assessment

The Governance Committee conducts an annual assessment of each director's board performance as well as a review of the performance of the Board and its committees. The assessment process also includes a separate evaluation of the Chairman. The Chairman conveys the results of the personal evaluation to each director. The Governance Committee Chair conveys the results of the Chairman's evaluation to the Chairman and the overall assessment on the Board and its committees to the full Board. Each Committee conducts an annual self-assessment and reports to the full Board.

2. Annual Evaluation of the CEO

The independent directors perform an annual evaluation of the performance of the CEO based on criteria, including the performance of the business, accomplishment of long-term

strategic objectives and development of a management team and a corporate culture that sets high standards of performance, accountability and ethical behavior. The Chairman conveys the results of the evaluation to the CEO and the Compensation Committee makes a recommendation related to the CEO's compensation to the independent directors based on this evaluation. The CEO then discusses the evaluation with the Board and his goals for the ensuing year.

3. Succession Plan

The Board, with primary responsibility delegated to the Compensation and Human Resources Committee, maintains both emergency and long-term succession plans for the CEO and other senior executives. These plans are discussed by the full Board at least annually and modified as appropriate. Internal and external candidates are assessed and, if appropriate, development initiatives may be established for internal candidates.

Corporate Responsibility Officer

In conjunction with these guidelines the Board has empowered a Corporate Responsibility Officer with the authority to take such actions as he or she deems necessary to safeguard the interests of the Company and its stockholders under whatever circumstances may occur, subject however to the concurrence of the CEO, the Chairman, the Audit Committee Chair or the Governance Committee Chair, as appropriate, with respect to taking any material action. At Radian, the General Counsel serves as the Corporate Responsibility Officer. The Corporate Responsibility Officer reports directly to the Audit Committee Chair and the Governance Committee Chair on matters of significance to the Company or matters involving misconduct by senior management or any employee of the Company.

Corporate Responsibility Officer – Role and Responsibilities

1. Monitor and ensure compliance with relevant statutes, regulations and stock exchange rules regarding corporate governance matters.
2. Report to the Governance Committee all material developments regarding corporate governance practices, issues and requirements.
3. Report to the Governance Committee any concerns regarding corporate governance raised internally or externally.
4. Work with the Governance Committee to establish appropriate governance rules and procedures.

5. Monitor compliance with the Company's Policy Regarding Related Person Transactions to ensure that all related person transactions (including material modifications) are presented to the Governance Committee for pre-approval or ratification, as necessary, in accordance with the policy.
6. Ensure compliance with all governance rules and procedures across Radian's businesses.
7. Take any actions necessary to enforce compliance with the governance rules and procedures, subject to the concurrence of the CEO, the Chairman, the Audit Committee Chair or the Governance Committee Chair, as appropriate, with respect to taking any material action.
8. Monitor the activities of the Compliance Officer under the Code of Conduct and Ethics and provide guidance regarding interpreting the Code of Conduct and Ethics.
9. Promptly inform the Committee of any violations of the Code of Conduct and Ethics.
10. Ensure that the D&O liability underwriters are informed of Radian's corporate governance practices.

Stockholders

The Company believes that delivering superior performance is the best approach to building stockholder value. The Governance Committee reviews these Guidelines of Corporate Governance annually and recommends changes to the Board for approval.

These Guidelines, as well as the committee charters and Code of Conduct and Ethics, will be posted on the Company's website and also will be available in print to any stockholder upon request. Such availability on the Company's website and in print will be noted in the Company's annual report to stockholders.

All interpretations of and determinations under these Guidelines are within the good faith discretion of the Board. The Guidelines do not create legal rights in any person and may be modified, amended, waived or terminated by the Board at any time and without notice.

Executive Officer Stock Ownership Guidelines

Consistent with our compensation philosophy, we believe that senior management should have a significant equity investment in the Company to further align their interests and actions with the interests of the Company's stockholders.

Under our Stock Ownership Guidelines, our CEO, Chief Financial Officer, President of our Mortgage Insurance (MI) business and other officers who are members of the management group designated by the CEO from time to time are expected to hold shares with a market value equal to at least the values set forth below.

Unless the officer holds more than this threshold market value of shares, the officer is not permitted to sell shares, options or other holdings of our stock that he or she owns, subject to certain exceptions. The levels of stock ownership are outlined below:

<u>Officer</u>	<u>Ownership Level Guideline</u>
CEO	7 times base salary
President of MI	4 times base salary
CFO	3.5 times base salary
Chief Risk Officer	3 times base salary
All other Designated Officers	Ranges between 1.5 and 2.5 times base salary