RADIAN GROUP INC
Form 424B5
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Registration No. 333-118220

Prospectus Supplement

June 2, 2005

(To Prospectus dated March 21, 2005)

$250,000,000

Radian Group Inc.

5.375% Senior Notes due 2015

Radian Group Inc. is offering $250 million aggregate principal amount of its 5.375% senior notes due 2015 (the notes). The notes will mature on June 15, 2015 and will bear interest at the rate of 5.375% per year. Interest on the notes will be paid semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2005. We may redeem the notes at any time or from time to time, in whole or in part, at a redemption price as described in this prospectus supplement in the section entitled Description of Notes Optional Redemption.

The notes will be our general unsecured senior obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.

Investing in the notes involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement and page 3 of the accompanying prospectus.

	Per Note	Total
Public offering price(1)	99.822%	$ 249,555,000
Underwriting discount	0.650%	$1,625,000
Offering proceeds to Radian Group Inc., before expenses(1)	99.172%	$ 247,930,000

(1) Plus accrued interest, if any, from June 7, 2005, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any other state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to investors on or about June 7, 2005 only in book-entry form through the facilities of The Depository Trust Company.

Joint Book-Running Managers

Banc of America Securities LLC **Bear, Stearns & Co. Inc.**

Barclays Capital

Fifth Third Securities, Inc.

Goldman, Sachs & Co.

JPMorgan

KeyBanc Capital Markets

RBS Greenwich Capital

Wells Fargo Securities

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Prospectus Supplement

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. You should not assume that the information provided by this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates on their respective front pages. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. You may obtain the information incorporated by reference into this prospectus supplement and the accompanying prospectus without charge by following the instructions under Where You Can Find More Information in the accompanying prospectus.

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SUMMARY

This summary contains basic information about us, our subsidiaries, the notes and this offering. Because this is a summary, it does not contain all of the information that you should consider before investing in our notes. You should carefully read this summary together with the more detailed information, financial statements and notes to the financial statements contained elsewhere or incorporated by reference into this prospectus supplement or the accompanying prospectus. To fully understand this offering, you should read all of these documents. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control. Unless otherwise indicated, all references in this prospectus supplement and the accompanying prospectus to the Company, we, us and our refer to Radian Group Inc., and the term Radian Group refers to the Radian Group Inc. and its subsidiaries.

Radian Group Inc.

Radian Group Inc. is a leading credit enhancement provider to the global financial and capital markets. Our subsidiaries provide products and services through three primary business lines: mortgage insurance, financial guaranty and other financial services. Our mortgage insurance business provides mortgage credit protection, primarily via private mortgage insurance, and risk management services to mortgage lending institutions. Our financial guaranty business guaranties full and timely payment of principal and interest when due to the holders of public and structured finance obligations, and reinsures public finance, structured finance and trade credit obligations. Our financial services business consists primarily of our 46% ownership interest in Credit-Based Asset Servicing and Securitization LLC a mortgage investment and servicing firm specializing in credit-sensitive, single-family residential mortgage assets and residential mortgage-backed securities and our 41.5% interest in Sherman Financial Services Group LLC a consumer asset and servicing firm specializing in charged-off and bankruptcy plan consumer assets and charged-off high loan-to-value mortgage receivables.

Our principal executive offices are located at 1601 Market Street, Philadelphia, Pennsylvania 19103, and our telephone number is (215) 564-6600. Radian Group Inc. was incorporated in Delaware in 1992.

Recent Developments

New Chief Executive Officer

On May 5, 2005, Sanford A. Ibrahim became our new Chief Executive Officer and joined our board of directors. Mr. Ibrahim is a 27-year veteran of the banking and mortgage industries and most recently was the President and Chief Executive Officer of GreenPoint Mortgage Funding, Inc., a residential mortgage lender. Herbert Wender was named non-executive Chairman of our board of directors effective May 1, 2005. Frank P. Filipps retired from his positions as our Chairman and Chief Executive Officer on April 30, 2005.

Potential Investigations of Captive Reinsurance Arrangements used in the Mortgage Insurance Industry

We and other companies in the mortgage insurance industry participate in reinsurance arrangements with mortgage lenders commonly referred to as captive reinsurance arrangements. Under captive reinsurance arrangements, a mortgage lender typically establishes a reinsurance company that assumes part of the risk associated with that lender s mortgages that are insured by a mortgage insurer on an individual, mortgage-by-mortgage basis (as compared to mortgages insured in structured transactions, which typically are not eligible for captive reinsurance arrangements). In return for the reinsurance company s assumption of risk, the mortgage insurer cedes a portion of its mortgage insurance premiums to the reinsurance company. In most cases, the risk

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assumed by the reinsurance company is an excess layer of aggregate losses that would be penetrated only in a situation of adverse loss development, such as losses brought on by significant national or regional downturns in the real estate market. Captive reinsurance arrangements continue to grow in popularity, and we are increasingly participating in these arrangements at increasing levels of reinsurance.

The anti-referral fee provisions of the Real Estate Settlement Procedures Act (RESPA) provide, in essence, that mortgage insurers are prohibited from paying anything of value to a mortgage lender in consideration of the lender s referral of business to the mortgage insurer. The U.S. Department of Housing and Urban Development, as well as the insurance commissioner or attorney general of any state, may conduct investigations, levy fines and other sanctions or enjoin future violations of RESPA. In addition, the insurance law provisions of many states, including the State of New York, prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. In addition, we and other mortgage insurers have faced private lawsuits alleging, among other things, that our captive reinsurance arrangements, as well as pool insurance and contract underwriting services, constitute unlawful payments to mortgage lenders under RESPA. Although to date we have successfully defended against all such lawsuits on the basis that the plaintiffs lacked standing, we cannot assure you that we will have continued success defending against similar lawsuits.

On May 16, 2005, we received a letter from the New York Insurance Department seeking information related to all of the captive mortgage reinsurance arrangements that we entered into since January 1, 2000, a list of the lenders associated with each captive along with each captive s state of domicile and capital/surplus requirements. The letter also included a request for a description of any other arrangements through which we provide any payment or consideration to a lender in connection with mortgage insurance. Our response must be submitted and affirmed as true under penalties of perjury to the New York Insurance Department by June 8, 2005. We are aware that other mortgage insurers have received similar requests from the New York Insurance Department.

In addition to the informational request we received from the New York Insurance Department, recent public reports have indicated that the Colorado and North Carolina insurance commissioners are considering investigating or reviewing captive mortgage reinsurance arrangements. Insurance departments or other officials in other states may also conduct such investigations or reviews. Although we believe that all of our captive reinsurance arrangements transfer risk to the captive reinsurer at a premium rate that is commensurate with the risk, we cannot assure you that we will be able to successfully defend against any alleged violations of RESPA or other laws. We are unable to predict the likelihood or magnitude of any fines or other sanctions that we may face if our captive reinsurance arrangements or other arrangements with our customers are found to be in violation of RESPA or other laws, and we also are unable to predict the effect on our business if we were enjoined from the future use of those arrangements.

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The Offering

Issuer	Radian Group Inc.
Securities Offered	$250 million in aggregate principal amount of our 5.375% senior notes due June 15, 2015.
Issue Price	99.822% of principal amount.
Maturity Date	June 15, 2015.
Interest Payment Dates	Interest on the notes will be payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2005.
Ranking	The notes will be our general unsecured senior obligations and will rank equally with all of our other unsecured unsubordinated indebtedness from time to time outstanding.
Optional Redemption	We may redeem the notes at any time or from time to time, in whole or in part, at a redemption price calculated as described in this prospectus supplement under the caption Description of Notes Optional Redemption.
Use of Proceeds	We intend to use the net proceeds from the sale of the notes to redeem all $219.3 million in aggregate principal amount of our outstanding 2.25% Senior Convertible Debentures due 2022, and the balance for general corporate purposes.
Risk Factors	You should carefully consider all of the information set forth and incorporated by reference in this prospectus supplement and the accompanying prospectus and, in particular, should carefully read the Risk Factors sections beginning on page S-4 of this prospectus supplement and on page 3 of the accompanying prospectus.
Listing	We do not intend to apply for listing of the notes on any securities exchange or the quotation of the notes on any automated quotation system. See Risk Factors There is no public market for the notes.

For additional information concerning the notes, see Description of Notes.

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RISK FACTORS

This section describes risks involved in purchasing the notes. Before you invest in the notes, you should consider carefully the following risks, in addition to the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. In particular, the risks inherent in our business are described under Risk Factors in the accompanying prospectus. In addition, you should consider the risks described in the section of this prospectus supplement entitled Recent Developments Potential Investigations of Captive Reinsurance Arrangements used in the Mortgage Insurance Industry. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks, which could adversely affect the value of our securities, including the notes, which in turn could cause you to lose all or part of your investment.

The notes will rank junior to the claims of our secured creditors. In addition, because of our holding company structure, the notes will effectively be subordinated to all indebtedness and liabilities of our subsidiaries.

The notes will effectively rank junior to our secured indebtedness, if any, to the extent of the underlying collateral. We do not currently have any secured indebtedness, but the senior indenture under which the notes will be issued does not restrict us from incurring secured indebtedness in the future. In addition, because we conduct substantially all of our operations through our subsidiaries, claims of holders of the notes will effectively rank junior to the indebtedness and other liabilities of our subsidiaries. In any liquidation, dissolution, bankruptcy or other similar proceeding involving one of our subsidiaries, our right and the rights of the holders of the notes to participate in the assets of the subsidiary effectively will be subordinated to the claims of creditors of the subsidiary (including any policy holders, trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any preferred stockholders) and, following payment by the subsidiary of its liabilities, the subsidiary may not have sufficient assets remaining to make payments to us as a stockholder or otherwise. In addition, if we were to cause a subsidiary to pay a dividend to enable us to make payments in respect of the notes, and such transfer were deemed an unlawful distribution, we could be required to return the payment to (or for the benefit of) the creditors of that subsidiary. This would adversely affect our ability to make payments to you as a holder of the notes.

As of the date of this prospectus supplement, our outstanding unsecured indebtedness (other than short-term borrowings and accounts payable) is approximately $717.04 million. As of the date of this prospectus supplement, our subsidiaries had no outstanding indebtedness. We and our subsidiaries may incur additional indebtedness in the future.

These notes are not guaranteed; if our insurance subsidiaries are not able to transfer adequate funds to us, our ability to pay the principal of, and any premium or interest on the notes, as well as our ability to redeem the notes, could be affected.

None of our subsidiaries have guaranteed the notes, which will be our direct, unsecured obligations. Although we have entered into cost-sharing and expense allocation agreements with certain of our principal subsidiaries, our subsidiaries have no direct obligation to pay interest, principal or redemption price on the notes. We depend primarily upon the transfer of funds from our insurance subsidiaries to pay interest, principal and any redemption price on the notes. Our subsidiaries ability to pay dividends or make other payments to us is subject to regulatory restrictions. We cannot guarantee you that our operating subsidiaries will be able to transfer funds to us at times and in amounts necessary to allow us to pay interest, principal and any redemption price on the notes. See Risk Factors Risks Affecting Our Company As a holding company, we depend on our subsidiaries ability to transfer funds to us to pay dividends and to meet our obligations in the accompanying prospectus for a discussion of the reasons why our insurance company subsidiaries may not be able to transfer funds to us in a timely fashion, if at all.

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There is no public market for the notes.

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they presently intend to make a market in the notes after completion of this offering. However, they are under no obligation to do so and may discontinue any market making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

We cannot assure you as to the market price for the notes; therefore, you may suffer a loss.

We cannot assure you as to the market price for the notes. If you are able to resell your notes, the price you receive will depend on many other factors that may vary over time, including:

- the number of potential buyers;
- the level of liquidity of the notes;
- ratings of our insurance subsidiaries financial strength and claims paying ability published by major credit ratings agencies;
- our financial performance;
- the amount of total indebtedness we have outstanding;
- the level, direction and volatility of market interest rates generally;
- the market for similar securities;
- the repayment and redemption features of the notes; and
- the time remaining until your notes mature.

As a result of these and other factors, you may be able to sell your notes only at a price below that which you believe to be appropriate, including a price below the price you paid for them.

The notes may be redeemed before maturity and you may not be able to reinvest the redemption proceeds and obtain a comparable return.

We may redeem the notes, in whole or in part, at our option at any time or from time to time. Prevailing interest rates at the time we redeem the notes may be lower than the interest rate on the notes. As a result, you may not be able to reinvest the redemption proceeds in a comparable security at an interest rate equal to or higher than the interest rate borne by the notes. See Description of the Notes Optional Redemption for a more detailed description of the conditions under which we may redeem the notes.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

All statements in this prospectus supplement and the accompanying prospectus (including statements incorporated by reference) that address operating performance, events or developments 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 and the U.S. Private Securities Litigation Reform Act of 1995. Generally, words such as may, will, should, could, anticipate, expect, intend, estimate, plan, continue and believe, and the negative of or other variat similar expressions identify forward-looking statements. These forward-looking statements are made on the basis of our current views and assumptions regarding future events, and they are subject to risks and uncertainties, including those identified in the sections of this prospectus supplement and the accompanying prospectus entitled Risk Factors. These forward-looking statements are made only as of the dates on the respective front pages of the prospectus supplement and of the accompanying prospectus and we do not intend to and disclaim any duty or obligation to update or revise any forward-looking statements made in this prospectus supplement or the accompanying prospectus to reflect new information or future events or for any other reason.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of the notes to redeem all of our outstanding 2.25% Senior Convertible Debentures due 2022, and the balance for general corporate purposes. As of the date of this prospectus supplement, the aggregate principal amount outstanding of our 2.25% Senior Convertible Debentures due 2022 was $219.3 million.

CAPITALIZATION

The following table shows, as of March 31, 2005: (1) our actual capitalization; (2) our capitalization as adjusted to give effect to the sale of the notes (but not to any repayment of our 2.25% Senior Convertible Debentures due 2022 as discussed under Use of Proceeds); and (3) our capitalization as further adjusted to give effect to the redemption of our 2.25% Senior Convertible Debentures due 2022. You should read this table in conjunction with our consolidated financial statements and the related notes, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	March 31, 2005		
	Actual	As adjusted to give effect to the notes	As further adjusted to give effect to repayment of 2.25% debentures due 2022
	(dollars in thousands)		
Debt:			
Long-term Debt			
5.375% Senior Notes due 2015	$ 0	$ 250,000	$ 250,000
2.25% Senior Convertible Debentures due 2022	219,337	219,337	0
5.625% Senior Notes due 2013	248,379	248,379	248,379
7.75% Debentures due June 1, 2011	249,322	249,322	249,322

Total Debt	717,038	967,038	747,701
Stockholders equity:			
Common Stock: par value $.001 per share; 200,000,000 shares authorized; 96,685,308 shares issued	97	97	97
Treasury Stock: 10,279,599 shares	(469,882)	(469,882)	(469,882)
Additional paid-in capital	1,289,526	1,289,526	1,289,526
Retained earnings	2,511,469	2,511,469	2,511,469
Accumulated other comprehensive income	115,382	115,382	115,382
Total stockholders equity	3,446,592	3,446,592	3,446,592
Total capitalization	$ 4,163,630	$ 4,413,630	$ 4,194,293

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RATIO OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table shows our historical ratio of earnings to fixed charges and to combined fixed charges and preferred stock dividends from continuing operations. The following table also shows our pro forma ratio of earnings to fixed charges for the three months ended March 31, 2005 and the fiscal year ended December 31, 2004, which give effect to the application of net proceeds from this offering to redeem all of our outstanding 2.25% Senior Convertible Debentures due 2022. Earnings consist of income from continuing operations before income taxes, extraordinary items, cumulative effect of accounting changes, equity in net income of affiliates and fixed charges. Fixed charges consist of interest expense and capitalized interest and an estimate of interest expense within rental expense. Combined fixed charges and preferred stock dividends consist of fixed charges, as defined above, and the amount of pre-tax earnings required to pay the dividends on our preferred stock.

	Three Months Ended March 31,		Fiscal Years Ended December 31,				
	2005	**2004**	**2004**	**2003**	**2002**	**2001**	**2000**
Ratio of earnings to fixed charges	18.3x	17.9x	17.8x	12.1x	18.3x	25.0x	151.1x
Ratio of earnings to combined fixed charges and preferred stock dividends	18.3x	17.9x	17.8x	12.1x	15.7x	21.6x	63.4x
Pro forma ratio of earnings to fixed charges	15.0x		14.5x				

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes our consolidated financial information for the periods presented. The financial information below as of the end of and for each of the years in the five-year period ended December 31, 2004 has been derived from our audited financial statements. The selected historical consolidated financial data should be read in conjunction with the financial statements, including the related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operation, which are included in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q previously filed with the SEC. The financial information below as of and for the three months ended March 31, 2005 and 2004 has been derived from the unaudited consolidated financial statements that are included in our Quarterly Reports on Form 10-Q previously filed with the SEC. The results of past accounting periods are not necessarily indicative of the results to be expected for any future accounting period. See Where You Can Find More Information in the accompanying prospectus for information regarding our publicly available filings with the SEC.

	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001(1)	2000
	(in millions, except per-share amounts and ratios)						
Condensed Consolidated Statements of Income							
Net premiums written	$ 214.8	$ 181.4	$ 1,082.5	$ 1,110.5	$ 954.9	$ 783.6	$ 544.3
Net premiums earned	$ 247.0	$ 243.4	$ 1,029.5	$ 1,008.2	$ 847.1	$ 715.9	$ 520.9
Net investment income	50.9	49.7	204.3	186.2	178.8	147.5	82.9
Net gains on sales of investments	11.5	26.7	50.8	17.4	10.5	6.8	4.2
Change in fair value of derivative instruments	(9.0)	4.6	47.1	4.1	(13.0)	(5.8)	
Other income	6.1	8.4	32.3	63.3	44.4	42.5	7.4
Total revenues(2)	306.6	332.8	1,364.1	1,279.2	1,067.8	906.9	615.4
Provision for losses	109.5	114.8	456.8	476.1	243.4	208.1	154.3
Policy acquisition costs and other operating expenses	81.0	75.4	327.5	339.6	276.1	216.8	108.6