

Radian Group Inc.

RADIAN

**Audit and Risk
Committee Charter**

September 2005

Purpose of the Audit and Risk Committee

The Audit and Risk Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Radian Group Inc. (the “Company”). The 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 and the Company’s compliance with legal and regulatory requirements. In performing its functions, the Committee engages its own legal counsel and other professional advisors, as it deems necessary.

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

The Committee reviews, prior to release, the quarterly and annual financial statement information including “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Although the Credit Management Committee of the Board of Directors has primary responsibility for overseeing the Company’s credit management procedures, the Audit Committee is responsible for reviewing the Company’s risk management processes in a general manner and for oversight of enterprise risk as defined by the Committee of Sponsoring Organizations (COSO).

The function of the Committee is oversight. Management remains in the first instance 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 independent auditors are responsible for planning and carrying out an audit in accordance with generally accepted auditing standards. Both the Chief Audit Executive and the independent auditors report directly to the Committee.

Organization

The Committee shall be composed of at least three independent directors, as “independence” is defined in the Company’s Guidelines of Corporate Governance, the listing standards of the New York Stock Exchange and the rules of the Securities

and Exchange Commission (“SEC”). All Committee members shall be financially literate, at least one member shall have accounting or related financial management expertise, and at least one member shall be an “Audit Committee Financial Expert” as that term is defined in the rules of the SEC.

The determination of members’ independence, financial literacy, accounting or related financial management expertise, status as an Audit Committee Financial Expert and other qualifications to serve as a member of the Committee is made by the Board of Directors in its discretion.

General Responsibilities

In performing its responsibilities the Committee will:

Oversight

- O1 After appropriate review, appoint the independent auditors to be retained to audit the financial statements of the Company. Appropriate review will, at a minimum, require the Committee to evaluate the lead partner of the independent auditors and obtain at least annually a report by the independent auditors describing: (i) that firm’s internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits performed by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the firm and the Company.
- O2 Pre-approve all audit and non-audit (including internal control-related) services to be provided by the independent auditors, in conformity with the Committee’s Pre-Approval Policy for Audit and Non-Audit Services , and obtain from management on a quarterly basis a list of all of the Company’s engagements for non-audit services being provided by auditing firms other than the Company’s independent auditors due to the fact that the Company’s independent auditors are prohibited by SEC rules from providing such services.
- O3 Establish and modify as necessary Radian’s hiring policy related to employees or former employees of the independent auditors.
- O4 Monitor the internal audit function of the Company including its independence.

- O5 Oversee the development by the General Counsel of procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or audit matters, including a means for Company employees to submit such complaints in a confidential and anonymous manner.
- O6 Investigate any matter brought to its attention within the scope of its duties with the authority to retain counsel or other advisors, if in its judgment that is appropriate, at the expense of the Company.
- O7 Submit meeting minutes and, as appropriate, discuss the matters discussed at each Committee meeting with the Board of Directors.
- O8 Annually review and reassess its responsibilities, functions, Pre-Approval Policy for Audit and Non-Audit Services, and Charter, making changes as necessary, and conduct an annual performance evaluation of the Committee.
- O9 Annually discuss the internal audit plan and the Chief Audit Executive's MBO.
- O10 Ensure that the Company provides adequate funding, as determined by the Committee, to the Committee for payment of the independent auditors, compensation to any advisers engaged by the Committee, and payment of ordinary administrative expenses incurred by the Committee in carrying out its duties.

Audit and Financial Reporting

- A1 Review and provide feedback on the independent auditors' plan and scope for the current year audit including proposed audit fees and engagement letter.
- A2 Review with financial management and the independent auditors significant financial reporting issues and practices and ensure that appropriate accounting principles are being applied. Also, annually review with financial management the "closing of the books" process.
- A3 Review the proposed audit plan(s) and review the results of internal audits completed since the previous Committee meeting as well as the focus of upcoming internal audit projects.
- A4 Meet separately, and at least quarterly, with management, the independent auditors and the Chief Audit Executive and discuss the adequacy and effectiveness of accounting and financial controls of the Company. Review the independent auditors' management letter when presented. Regularly review with the independent auditors any audit problems or difficulties, and management's response.

- A5 Discuss with management and the independent auditors, the quarterly financial statements prior to public release, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 10-Q.
- A6 Discuss Company policy regarding earnings press releases as well as financial information provided to analysts and rating agencies.
- A7 Review the Company's legal representation letter presented to the independent auditors and discuss significant items, if any, with Company General Counsel.
- A8 Determine that the independent auditors are satisfied with the disclosures and content of the financial statements to be presented to stockholders and in the Company's SEC report filings.
- A9 Obtain from the independent auditors a statement of all required communications under Generally Accepted Auditing Standards, including matters required by SAS 61 and Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).
- A10 Review the results of the annual audit and discuss the annual financial statements with management and the independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and recommend the audited financial statements to be included in the Company's Annual Report on Form 10-K.
- A11 Approve the Committee's charter and report to stockholders as required by the SEC for inclusion in the Company's annual proxy statement.

Compliance

- C1 Require management to present and discuss, as soon as practicable, all reports received from regulators (e.g. SEC, IRS, State Insurance Departments and Rating Agencies etc.) which may have a material effect on the financial statements or related Company compliance policies.
- C2 Review with General Counsel legal and regulatory matters, contingent liabilities or other sensitive information that may have a material effect on the Company's financial statements, systems of internal control or regulatory compliance.
- C3 Review activity related to and evaluate the Company's Code of Conduct and Ethics.

Risk

- R1 Discuss and review in a general manner guidelines and policies to govern the process by which the Company undertakes risk assessment and management.
- R2 Discuss the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures.
- R3 Review the Company's quality assurance processes to mitigate potential risks and its loss reserving methodology.
- R4 Inquire of management, enterprise risk management, Chief Audit Executive and the independent auditors about significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
- R5 Review the Company's information technology initiatives.

Approved: September 13, 2005