FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended SEPTEMBER 30, 1998
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________
Commission file number 1-10816

MGIC INVESTMENT CORPORATION
(Exact name of registrant as specified in its charter)

WISCONSIN	39-1486475
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
250 E. KILBOURN AVENUE MILWAUKEE, WISCONSIN	53202
(Address of principal executive offices)	(Zip Code)

(414) 347-6480
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS OF STOCK	PAR VALUE	DATE	NUMBER OF SHARES
Common stock	$1.00	9/30/98	109,511,046

MGIC INVESTMENT CORPORATION
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 1998 (Unaudited) and December 31, 1997

	September 30, 1998	December 31, 1997
	(In thousands of dollars)	
ASSETS		
Investment portfolio:		
Securities, available-for-sale, at market value:		
Fixed maturities	$2,583,634	$2,185,954
Equity securities	4,471	116,053
Short-term investments	121,355	114,733
Total investment portfolio	2,709,460	2,416,740
Cash	5,463	4,893
Accrued investment income	37,473	35,485
Reinsurance recoverable on loss reserves	21,367	26,415
Reinsurance recoverable on unearned premiums	6,864	9,239
Home office and equipment, net	32,882	33,784
Deferred insurance policy acquisition costs	24,665	27,156
Investment in joint venture	52,746	29,400
Other assets	39,286	34,575
Total assets	$2,930,206	$2,617,687
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves	$ 644,115	$ 598,683
Unearned premiums	179,510	198,305
Notes payable (note 2)	420,000	237,500
Income taxes payable	40,403	27,717
Other liabilities	69,472	68,700
Total liabilities	1,353,500	1,130,905
Contingencies (note 3)		
Shareholders' equity:		
Common stock, $1 par value, shares authorized 300,000,000; shares issued 121,110,800; shares outstanding, 9/30/98 - 109,511,046; 1997 - 113,791,593	121,111	121,111
Paid-in surplus	217,804	218,499
Treasury stock (shares at cost, 9/30/98 - 11,599,754; 1997 - 7,319,207)	(468,835)	(252,942)
Unrealized appreciation in investments, net of tax	113,266	83,985
Retained earnings	1,593,360	1,316,129
Total shareholders' equity	1,576,706	1,486,782
Total liabilities and shareholders' equity	$2,930,206	$2,617,687

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Three and Nine Month Periods Ended September 30, 1998 and 1997
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(In thousands of dollars, except per share data)			
Revenues:				
Premiums written:				
Direct	$192,107	$184,670	$557,637	$511,069
Assumed	2,190	3,047	6,327	8,906
Ceded	(3,730)	(3,714)	(10,247)	(9,450)
Net premiums written	190,567	184,003	553,717	510,525
Decrease (increase) in unearned premiums	499	(3,461)	16,418	13,788
Net premiums earned	191,066	180,542	570,135	524,313
Investment income, net of expenses	36,461	31,548	106,175	91,428
Realized investment gains, net	2,639	1,502	13,880	2,098
Other revenue	10,708	10,233	32,676	21,942
Total revenues	240,874	223,825	722,866	639,781
Losses and expenses:				
Losses incurred, net	51,487	60,785	163,439	182,230
Underwriting and other expenses	46,498	39,907	137,188	116,040
Interest expense	5,308	2,530	12,394	2,849
Ceding commission	(839)	(951)	(2,105)	(2,459)
Total losses and expenses	102,454	102,271	310,916	298,660
Income before tax	138,420	121,554	411,950	341,121
Provision for income tax	41,928	37,379	126,199	103,895
Net income	$ 96,492	$ 84,175	$285,751	$237,226
Earnings per share (note 4):				
Basic	$ 0.87	$ 0.73	$ 2.52	$ 2.03
Diluted	$ 0.86	$ 0.72	$ 2.49	$ 2.00
Weighted average common shares outstanding - diluted (shares in thousands, note 4)	112,695	116,386	114,728	118,442
Dividends per share	$ 0.025	$ 0.025	$ 0.075	$ 0.07

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 1998 and 1997
(Unaudited)

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
	(In thousands of dollars)	
Cash flows from operating activities:		
Net income	$ 285,751	$237,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred insurance policy acquisition costs	16,569	19,163
Increase in deferred insurance policy acquisition costs	(14,078)	(15,563)
Depreciation and amortization	5,470	6,198
(Increase) decrease in accrued investment income	(1,988)	3,972
Decrease in reinsurance recoverable on loss reserves	5,048	2,020
Decrease in reinsurance recoverable on unearned premiums	2,375	2,516
Increase in loss reserves	45,432	61,553
Decrease in unearned premiums	(18,795)	(16,305)
Equity earnings in joint venture	(7,420)	(3,100)
Other	(23,290)	(23,946)
Net cash provided by operating activities	295,074	273,734
Cash flows from investing activities:		
Purchase of equity securities	(3,886)	(93,716)
Purchase of fixed maturities	(689,255)	(510,789)
Additional investment in joint venture	(15,926)	(7,350)
Proceeds from sale of equity securities	116,164	3,900
Proceeds from sale or maturity of fixed maturities	348,027	352,287
Net cash used in investing activities	(244,876)	(255,668)
Cash flows from financing activities:		
Dividends paid to shareholders	(8,521)	(8,173)
Net increase in notes payable	182,500	187,076
Reissuance of treasury stock	14,220	12,378
Repurchase of common stock	(231,205)	(225,028)
Net cash used in financing activities	(43,006)	(33,747)
Net increase (decrease) in cash and short-term investments	7,192	(15,681)
Cash and short-term investments at beginning of period	119,626	143,975
Cash and short-term investments at end of period	$126,818	$128,294

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1998
(Unaudited)

Note 1 - Basis of presentation

The accompanying unaudited consolidated financial statements of MGIC Investment Corporation (the "Company") and its wholly-owned subsidiaries have been prepared in accordance with the instructions to Form 10-Q and do not include all of the other information and disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 1997 included in the Company's Annual Report on Form 10-K for that year.

The accompanying consolidated financial statements have not been audited by independent accountants in accordance with generally accepted auditing standards, but in the opinion of management such financial statements include all adjustments, consisting only of normal recurring accruals, necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the nine months ended September 30, 1998 may not be indicative of the results that may be expected for the year ending December 31, 1998.

Note 2 - Notes payable

In June of 1998, the Company completed a $250 million bank loan agreement with several lending institutions to finance a Stock Repurchase program in addition to the repurchase program completed in 1997. The weighted average interest rate on the notes payable for borrowings under the 1997 and 1998 credit agreements was 5.89% per annum at September 30,1998.

The 1997 and 1998 credit facilities provide up to $225 million and $250 million, respectively, of availability at September 30, 1998. The 1997 credit facility will decrease by $25 million each year through June 20, 2001. Any outstanding borrowings under this facility mature on June 20, 2002. The 1998 credit facility decreases by $25 million each year beginning June 9, 1999 through June 9, 2002. Any outstanding borrowings under this facility mature on June 9, 2003. The Company has the option, on notice to lenders, to prepay any borrowings under the agreements subject to certain provisions.

Under the terms of the credit facilities, the Company must maintain shareholders' equity of at least $1 billion and MGIC must maintain a claims paying ability rating of AA- or better with Standard & Poor's Corporation ("S&P"). At September 30, 1998, the Company had shareholders' equity of $1.6 billion and MGIC had a claims paying ability rating of AA+ from S&P.

Mortgage Guaranty Insurance Corporation ("MGIC") is guaranteeing one half of a $50 million credit facility for C-BASS, a 48% owned unconsolidated joint venture. The facility matures in July 1999.

Note 3 - Contingencies

The Company is involved in litigation in the ordinary course of business. In the opinion of management, the ultimate disposition of the pending litigation will not have a material adverse effect on the financial position of the Company.

Note 4 - Earnings per share

The Company's basic and diluted earnings per share ("EPS") have been calculated in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128"). The following is a reconciliation of the weighted-average number of shares used for basic EPS and diluted EPS.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(Shares in thousands)			
Weighted-average shares - Basic EPS	111,417	114,935	113,184	117,109
Common stock equivalents	1,278	1,451	1,544	1,333
Weighted-average shares - Diluted EPS	112,695	116,386	114,728	118,442

Earnings per share for 1997 has been restated to reflect the provisions of SFAS 128. The Company's previously reported EPS for 1997 equaled diluted EPS under SFAS 128.

Note 5 - Comprehensive income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS 130"). The statement establishes standards for the reporting and display of comprehensive income and its components in annual financial statements. The Company's total comprehensive income, as calculated per SFAS 130, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(In thousands of dollars)			
Net income	$ 96,492	$ 84,175	$285,751	$237,226
Other comprehensive gain (loss)	35,885	24,149	29,281	26,371
Total comprehensive income	$132,377	$108,324	$315,032	$263,597

The difference between the Company's net income and total comprehensive income for the three and nine months ended September 30, 1998 and 1997 is due to the change in unrealized appreciation on investments, net of tax.

Note 6 - New accounting standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), which will be effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. The statement establishes accounting and reporting standards for derivative instruments and for hedging activities. Management does not anticipate the adoption of SFAS 133 will have a significant effect on the Company's results of operations or its financial position due to its limited use of derivative instruments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Consolidated Operations

Three Months Ended September 30, 1998 Compared With Three Months Ended September 30, 1997

Net income for the three months ended September 30, 1998 was $96.5 million, compared to $84.2 million for the same period of 1997, an increase of 15%. Diluted earnings per share for the three months ended September 30, 1998 was $0.86 compared to $0.72 in the same period last year, an increase of 19%. See note 4 to the consolidated financial statements.

The amount of new primary insurance written by Mortgage Guaranty Insurance Corporation ("MGIC") during the three months ended September 30, 1998 was $11.8 billion, compared to $9.1 billion in the same period of 1997. Refinancing activity accounted for 24% of new primary insurance written in the third quarter of 1998, compared to 12% in the third quarter of 1997.

New insurance written for adjustable-rate mortgages ("ARMs") decreased to 9% of new insurance written in the third quarter of 1998 from 26% of new insurance written in the same period of 1997. Mortgages with loan-to-value ("LTV") ratios in excess of 90% but not more than 95% ("95%") decreased to 40% of new insurance written in the third quarter of 1998 from 42% of new insurance written in the same period of 1997. Also, mortgages with 95% LTVs and 30% coverage decreased to 37% of new insurance written in the third quarter of 1998 compared to 39% in the same period of 1997.

The $11.8 billion of new primary insurance written during the third quarter of 1998 was offset by the cancellation of $11.5 billion of insurance in force, and resulted in a net increase of $0.3 billion in primary insurance in force, compared to new primary insurance written of $9.1 billion, the cancellation of $6.6 billion, and a net increase of $2.5 billion in insurance in force during the third quarter of 1997. Direct primary insurance in force was $137.8 billion at September 30, 1998 compared to $138.5 billion at December 31, 1997 and $136.7 billion at September 30, 1997. In addition to providing primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during the three months ended September 30, 1998 was $154 million, which was virtually all agency pool insurance. The Company's direct pool risk in force at September 30, 1998 was $966.8 million compared to $590.3 million at December 31, 1997 and $455.6 million at September 30, 1997 and is expected to increase as a result of outstanding commitments to write additional agency pool insurance.

Cancellation activity increased during the last twelve months due to favorable mortgage interest rates which resulted in a decrease in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 71.5% at September 30, 1998 from 82.2% at September 30, 1997. Cancellation activity could increase due to factors other than refinances and home sales due to recently enacted legislation regarding cancellation of mortgage insurance.

Net premiums written were $190.6 million during the third quarter of 1998, compared to $184.0 million during the third quarter of 1997. Net premiums earned were $191.1 million for the third quarter of 1998 compared to $180.5 million for the same period in 1997. The increases were primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages and the growth in insurance in force since September 30, 1997.

MGIC continues to enter various risk sharing arrangements with its customers. These arrangements have not had a material impact on underwriting income thus far in 1998. New insurance written subject to risk sharing arrangements is expected to increase and may have a material impact on underwriting results in the future.

Investment income for the third quarter of 1998 was $36.5 million, an increase of 16% over the $31.6 million in the third quarter of 1997. This increase was primarily the result of an increase in the amortized cost of average invested assets to $2.5 billion for the third quarter of 1998 from $2.1 billion for the third quarter of 1997, an increase of 16%. The portfolio's average pre-tax investment yield was 5.7% for the third quarter of 1998 and 5.9% for the same period in 1997. The portfolio's average after-tax investment yield was 4.9% for the third quarter of 1998 and 5.0% for the same period in 1997. The Company realized gains of $2.6 million during the three months ended September 30, 1998 resulting primarily from the sale of fixed maturities compared to realized gains of $1.5 million during the same period in 1997.

Other revenue was $10.7 million for the third quarter of 1998 compared to $10.2 million for the same period in 1997. The increase is primarily the result of an increase in fee-based services for underwriting.

Net losses incurred decreased 15% to $51.5 million during the third quarter of 1998 from $60.8 million during the third quarter of 1997. Such decrease was primarily attributed to an increase in the redundancy in prior year loss reserves and generally favorable economic conditions throughout the country. The redundancy results from actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1997. At September 30, 1998, 55% of MGIC's insurance in force was written during the preceding eleven quarters, compared to 53% at September 30, 1997. The highest claim frequency years have typically been the third through fifth year after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from the historical pattern of other loans.

Underwriting and other expenses increased to $46.5 million in the third quarter of 1998 from $39.9 million in the third quarter of 1997, an increase of 17%. This increase was primarily due to an increase in expenses associated with underwriting and an increase in premium tax due to higher premiums written.

Interest expense increased to $5.3 million in the third quarter of 1998 from $2.5 million during the same period in 1997. The increase is the result of additional debt incurred to fund the stock repurchase program. See note 2 to the consolidated financial statements.

The consolidated insurance operations loss ratio was 26.9% for the third quarter of 1998 compared to 33.7% for the third quarter of 1997. The consolidated insurance operations expense and combined ratios were 18.8% and 45.7%, respectively, for the third quarter of 1998 compared to 17.2% and 50.9% for the third quarter of 1997.

The effective tax rate was 30.3% in the third quarter of 1998, compared to 30.8% in the third quarter of 1997. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The lower effective tax rate in 1998 resulted from a higher percentage of total income before tax being generated from tax-preferenced investments.

Nine Months Ended September 30, 1998 Compared With Nine Months Ended September 30, 1997

Net income for the nine months ended September 30, 1998 was $285.8 million, compared to $237.2 million for the same period of 1997, an increase of 20%. Diluted earnings per share for the nine months ended September 30, 1998 was $2.49 compared to $2.00 in the same period last year, an increase of 25%. See note 4 to the consolidated financial statements.

The amount of new primary insurance written by MGIC during the nine months ended September 30, 1998 was $31.1 billion, compared to $23.3 billion in the same period of 1997. Refinancing activity accounted for 30% of new primary insurance written in the first nine months of 1998, compared to 14% for the same period in 1997.

New insurance written for ARMs decreased to 11% of new insurance written in the first nine months of 1998 from 27% of new insurance written in the same period of 1997. Mortgages with 95% LTVs decreased to 37% of new insurance written in the first nine months of 1998 from 42% of new insurance written in the same period of 1997. Also, mortgages with 95% LTVs and 30% coverage decreased to 34% of new insurance written during the first nine months of 1998 compared to 39% in the same period of 1997.

The $31.1 billion of new primary insurance written during the first nine months of 1998 was offset by the cancellation of $31.8 billion of insurance in force, and resulted in a net decrease of $0.7 billion in primary insurance in force, compared to new primary insurance written of $23.3 billion, the cancellation of $18.0 billion, and a net increase of $5.3 billion in insurance in force during the first nine months of 1997. Direct primary insurance in force was $137.8 billion at September 30, 1998 compared to $138.5 billion at December 31, 1997 and $136.7 billion at September 30, 1997. In addition to providing primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during the nine months ended September 30, 1998 was $446 million, which was virtually all agency pool insurance. The Company's direct pool risk in force at September 30, 1998 was $966.8 million compared to $590.3 million at December 31, 1997 and $455.6 million at September 30, 1997 and is expected to increase as a result of outstanding commitments to write additional agency pool insurance.

Cancellation activity increased during the last twelve months due to favorable mortgage interest rates which resulted in a decrease in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 71.5% at September 30, 1998 from 82.2% at September 30, 1997. Cancellation activity could increase due to factors other than refinances and home sales due to recently enacted legislation regarding cancellation of mortgage insurance.

Net premiums written were $553.7 million during the first nine months of 1998, compared to $510.5 million during the first nine months of 1997. Net premiums earned were $570.1 million for the first nine months of 1998 compared to $524.3 million for the same period in 1997. The increases were primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages and the growth in insurance in force since September 30, 1997.

MGIC continues to enter various risk sharing arrangements with its customers. These arrangements have not had a material impact on underwriting income thus far in 1998. New insurance written subject to risk sharing arrangements is expected to increase and may have a material impact on underwriting results in the future.

Investment income for the first nine months of 1998 was $106.2 million, an increase of 16% over the $91.4 million for the same period in 1997. This increase was primarily the result of an increase in the amortized cost of average invested assets to $2.4 billion for the first nine months of 1998 from $2.0 billion for the first nine months of 1997, an increase of 15%. The portfolio's average pre-tax investment yield was 5.7% for the first nine months of 1998 and 5.8% for the same period in 1997. The portfolio's average after-tax investment yield was 4.9% for the first nine months of 1998 and 5.0% for the same period in 1997. The Company realized gains of $13.9 million during the nine months ended September 30, 1998 resulting primarily from the sale of equity securities compared to realized gains on investments of $2.1 million during the same period in 1997.

Other revenue was $32.7 million for the first nine months of 1998 compared to $21.9 million for the same period in 1997. The increase is primarily the result of an increase in fee-based services for underwriting of $8.4 million and an increase of $4.3 million of equity earnings from C-BASS, offset by a decrease of $2.2 million in fee-based services for premium reconciliation and claim administration.

Net losses incurred decreased 10% to $163.4 million during the first nine months of 1998 from $182.2 million during the first nine months of 1997. Such decrease was primarily attributed to an increase in the redundancy in prior year loss reserves and generally favorable economic conditions throughout the country. The redundancy results from actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1997. At September 30, 1998, 55% of MGIC's insurance in force was written during the preceding eleven quarters, compared to 53% at September 30, 1997. The highest claim frequency years have typically been the third through fifth year after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from the historical pattern of other loans.

Underwriting and other expenses increased to $137.2 million in the first nine months of 1998 from $116.0 million for the same period in 1997, an increase of 18%. This increase was primarily due to an increase in expenses associated with underwriting and an increase in premium tax due to higher premiums written.

Interest expense increased to $12.4 million in the first nine months of 1998 from $2.8 million during the same period in 1997. The increase is the result of additional debt incurred to fund the stock repurchase program. See note 2 to the consolidated financial statements.

The consolidated insurance operations loss ratio was 28.7% for the first nine months of 1998 compared to 34.8% for the first nine months of 1997. The consolidated insurance operations expense and combined ratios were 19.2% and 47.9%, respectively, for the first nine months of 1998 compared to 18.6% and 53.4% for the first nine months of 1997.

The effective tax rate was 30.6% in the first nine months of 1998, compared to 30.5% for the same period in 1997. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The higher effective tax rate in 1998 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. The Company generated positive cash flows from operating activities of $295.1 million for the nine months ended September 30, 1998, as shown on the Consolidated Statement of Cash Flows. Funds are applied primarily to the payment of claims and expenses. The Company's business does not require significant capital expenditures on an ongoing basis. Positive cash flows are invested pending future payments of claims and other expenses; cash flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities.

Consolidated total investments were $2.7 billion at September 30, 1998, compared to $2.4 billion at December 31, 1997, an increase of 12%. This increase is due primarily to positive cash flow from operations. The investment portfolio includes unrealized gains on securities marked to market at September 30, 1998 and December 31, 1997 of $174.3 million and $129.2 million, respectively. As of September 30, 1998, the Company had $121.4 million of short-term investments with maturities of 90 days or less. In addition, at September 30, 1998, based on amortized cost, the Company's total investments, which were primarily comprised of fixed maturities, were approximately 99% invested in "A" rated and above, readily marketable securities, concentrated in maturities of less than 15 years.

The Company's investment in C-BASS was $52.7 million at September 30, 1998, which includes the Company's share of C-BASS's earnings since inception of C-BASS. As discussed in Note 2 to the Consolidated Financial Statements, the Company is guaranteeing one half of a $50 million C-BASS credit facility. The Company expects that it will provide additional funding for C-BASS. C-BASS evaluates, purchases, services and securitizes assets in the market of sub-performing and non-performing residential mortgages. In accordance with generally accepted accounting principles, C-BASS is required to mark its assets to market. Such mortgage related assets are exposed to market valuation adjustments which could impact the Company's share of C-BASS's results of operations.

Consolidated loss reserves increased 8% to $644.1 million at September 30, 1998 from $598.7 million at December 31, 1997 reflecting an increase in the estimated number of loans in default. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default.

Consolidated unearned premiums decreased $18.8 million from $198.3 million at December 31, 1997 to $179.5 million at September 30, 1998, primarily reflecting the continued high level of monthly premium policies written, for which there is no unearned premium. Reinsurance recoverable on unearned premiums decreased $2.3 million to $6.9 million at September 30, 1998 from $9.2 million at December 31, 1997, primarily reflecting the reduction in unearned premiums.

Consolidated shareholders' equity increased to $1.6 billion at September 30, 1998, from $1.5 billion at December 31, 1997, an increase of 6%. This increase consisted of $285.8 million of net income during the first nine months of 1998, an increase in net unrealized gains on investments of $29.3 million, net of tax, and $14.5 million from the reissuance of treasury stock offset by approximately $231.2 million for the repurchase of approximately 4.7 million shares of the Company's outstanding common stock and dividends declared of $8.5 million.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 13.9:1 at September 30, 1998 compared to 15.7:1 at December 31, 1997. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the net additional risk in force of $393.2 million, net of reinsurance, during the first nine months of 1998.

The Company's combined insurance risk-to-capital ratio was 14.5:1 at September 30, 1998, compared to 16.4:1 at December 31, 1997. The decrease was due to the same reasons as described above.

During 1998, the Company repurchased approximately 4.7 million shares of its common stock under its current stock repurchase program at a cost of approximately $231.2 million. Funds for the repurchase program are provided under a bank loan facility and from operating cash flow. The Company's previous $250 million stock repurchase program was completed in 1997. See note 2 to the consolidated financial statements.

Year 2000 Compliance

Almost all of the Company's information technology systems ("IT Systems"), including all of its "business critical" IT Systems, either have been originally developed to be Year 2000 compliant or have been reprogrammed. The Company plans to reprogram the remaining Systems (the "Remaining Systems") and to complete internal testing of all IT Systems for Year 2000 compliance by the end of the second quarter of 1999. In general, the Remaining IT Systems have either been developed and maintained by the Company's Information Technology Department or use off-the-shelf software from national software vendors such as Microsoft and IBM who have publicly announced that their software is Year 2000 compliant. All of the IT Systems developed and maintained by the Information Technology Department have already been assessed for Year 2000 compliance and a portion of the Systems using off-the-shelf software have been assessed. If the Company is unable to complete any required reprogramming of the Remaining Systems on a timely basis, the efficiency of certain of the Company's business processes will likely decline but this consequence is not expected to be material to the Company.

Some of the Company's "business critical" IT Systems interface with computer systems of third parties. The Company, Fannie Mae, Freddie Mac and many of these third parties are participating in the Mortgage Bankers Association Year 2000 Inter-Industry Work Group (the "MBA Work Group"). The Company understands that the MBA Work Group is surveying its participants about their interest in conducting and scheduling compliance testing during the first and second quarters of 1999 as well as how such testing should be structured. The Company and one national service bureau have already conducted certain successful Year 2000 compliance testing and it is possible the Company will conduct additional Year 2000 compliance testing with individual companies in advance of the MBA Work Group testing. However, the Company understands it is the position of a number of larger companies in the MBA Work Group not to engage in any testing with third parties in advance of the testing sponsored by the MBA Work Group. The Company intends to contact its largest customers not participating in the MBA Work Group testing to determine interest in one-on-one testing.

All costs incurred through September 1998 for IT Systems for Year 2000 compliance have been expensed and were immaterial. The costs of the remaining reprogramming and testing are expected to be immaterial.

If the Company is unable to do business with third parties electronically, the Company would seek to do business with them on a paper basis. As discussed below, the Company is in the process of developing a Year 2000 contingency plan and has not yet made an assessment of the effects on its operations of having to replace a substantial portion of the business conducted electronically with business conducted on a paper basis.

Telecommunications services and electricity are essential to the Company's ability to conduct business. The Company's long-distance voice and data telecommunications suppliers and the local telephone company serving the Company's owned headquarters and warehouse facilities have written to the Company to the effect that their respective systems will be Year 2000 compliant. The electric company serving these facilities has given the Company oral assurance that it will also be Year 2000 compliant. In addition, the Company is exploring the feasibility of acquiring back-up power for its headquarters. The Company is seeking assurance regarding Year 2000 compliance from landlords of the Company's underwriting service centers and has received letters from the local telephone companies providing service to those centers that they will be Year 2000 compliant.

The Company has begun developing a Year 2000 contingency plan. The process to complete a plan is expected to extend into 1999.

For the portion of the Company's "Safe Harbor" Statement relating to Year 2000 matters, see "Safe Harbor" Statement below.

SAFE HARBOR STATEMENT

The following is a "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995, which applies to all statements in this Form 10-Q, which are not historical facts and to all oral statements that the Company may make from time to time relating thereto which are not historical facts (such written and oral statements are herein referred to as "forward looking statements"):

Actual results may differ materially from those contemplated by the forward looking statements. These forward looking statements involve risks and uncertainties, including but not limited to, the following:

--demand for mortgages may be adversely affected by increases in interest rates, adverse economic conditions, decreases in housing affordability or as a result of other factors;

--the Company's new insurance written, new premiums written or, with respect to certain of the factors below, its market share may be adversely affected as a result of: factors affecting or relating to mortgage demand, government housing policy (including the FHA) and the programs of Freddie Mac and Fannie Mae or the provisions of their charters with respect to credit enhancements on low down payment mortgages that they purchase; the competitive environment in the mortgage insurance industry, including underwriting criteria, pricing or products offered; decisions by lenders or investors (including Fannie Mae and Freddie Mac) to originate or purchase low down payment loans using reduced levels of mortgage insurance or using substitutes for mortgage insurance, including to the extent legally permissible, self-insurance or insurance provided by affiliates; consolidation among the Company's customers resulting in changes in their mortgage insurance relationships; or other reasons;

--insurance in force, persistency and renewal premiums may be adversely affected due to: refinancings (which are affected by changes in interest rates); changes in Fannie Mae or Freddie Mac cancellation policies; legislation regarding cancellation of mortgage insurance; or other reasons; and

--credit quality may be adversely affected as a result of adverse changes in regional or national economies which affect borrowers' incomes or housing values.

The foregoing "Safe Harbor" Statement also identifies certain material risks of the Company's business.

In addition, with respect to forward looking statements regarding Year 2000 compliance, there is the risk that the timetables for completing Year 2000 compliance actions may be delayed due to Company personnel devoting time and attention to non-Year 2000 projects.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At September 30, 1998, the Company had no derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At September 30, 1998, the average duration of the Company's investment portfolio was 5.7 years. The effect of a 1% increase/decrease in market interest rates would result in a 5.7% decrease/increase in the value of the Company's investment portfolio.

The Company's borrowings under the credit facilities are subject to interest rates that are variable. Changes in market interest rates would have minimal impact on the value of the notes payable. See note 2 to the consolidated financial statements.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - The exhibits listed in the accompanying Index to Exhibits are filed as part of this Form 10-Q.

(b) Reports on Form 8-K - No reports were filed on Form 8-K during the quarter ended September 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on November 12, 1998.

MGIC INVESTMENT CORPORATION

/s/ J. Michael Lauer

J. Michael Lauer
Executive Vice President and
Chief Financial Officer

/s/ Patrick Sinks

Patrick Sinks
Vice President, Controller and
Chief Accounting Officer

INDEX TO EXHIBITS
(Item 6)

Exhibit Number	Description of Exhibit
11.1	Statement Re Computation of Net Income Per Share
27	Financial Data Schedule

EXHIBIT 11.1

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF NET INCOME PER SHARE
Three and Nine Month Periods Ended September 30, 1998 and 1997

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(In thousands of dollars, except per share data)			
BASIC EARNINGS PER SHARE				
Average common shares outstanding	111,417	114,935	113,184	117,109
Net income	$ 96,492	$ 84,175	$285,751	$237,226
Basic earnings per share	$ 0.87	$ 0.73	$ 2.52	$ 2.03
DILUTED EARNINGS PER SHARE				
Adjusted shares outstanding:				
Average common shares outstanding	111,417	114,935	113,184	117,109
Net shares to be issued upon exercise of dilutive stock options after applying treasury stock method	1,278	1,451	1,544	1,333
Adjusted shares outstanding	112,695	116,386	114,728	118,442
Net income	$ 96,492	$ 84,175	$285,751	$237,226
Diluted earnings per share	$ 0.86	$ 0.72	$ 2.49	$ 2.00

7

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1998
SEP-30-1998
2,583,634
0
0
4,471
0
0
2,709,460
126,818
0
24,665
2,930,206
644,115
179,510
0
0
420,000
0
0
121,111
1,455,595
2,930,206
570,135
106,175
13,880
32,676
163,439
2,491
134,697
411,950
126,199
285,751
0
0
0
285,751
2.52
2.49
0
0
0
0
0
0
0