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, 1999

[ ] 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	10/31/99	105,707,534

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 1999 (Unaudited) and December 31, 1998

	September 30, 1999	December 31, 1998
ASSETS	(In thousands of dollars)	
Investment portfolio:		
Securities, available-for-sale, at market value:		
Fixed maturities	$2,624,203	$2,602,870
Equity securities	18,241	4,627
Short-term investments	118,294	172,209
Total investment portfolio	2,760,738	2,779,706
Cash	6,766	4,650
Accrued investment income	41,135	41,477
Reinsurance recoverable on loss reserves	39,467	45,527
Reinsurance recoverable on unearned premiums	6,918	8,756
Home office and equipment, net	33,270	32,400
Deferred insurance policy acquisition costs	22,625	24,065
Investments in joint ventures	106,583	75,246
Other assets	55,321	38,714
Total assets	$3,072,823	$3,050,541
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves	$ 673,040	$ 681,274
Unearned premiums	181,081	183,739
Notes payable (note 2)	411,000	442,000
Other liabilities	88,044	102,937
Total liabilities	1,353,165	1,409,950
Contingencies (note 3)		
Shareholders' equity:		
Common stock, $1 par value, shares authorized 300,000,000; shares issued 121,110,800; shares outstanding, 9/30/99 - 105,491,534; 1998 - 109,003,032	121,111	121,111
Paid-in surplus	215,505	217,022
Treasury stock (shares at cost, 9/30/99 - 15,619,266; 1998 - 12,107,768)	(627,486)	(482,465)
Accumulated other comprehensive income - unrealized (depreciation) appreciation in investments, net of tax	(7,904)	94,572
Retained earnings	2,018,432	1,690,351
Total shareholders' equity	1,719,658	1,640,591
Total liabilities and shareholders' equity	$3,072,823	$3,050,541

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Three and Nine Month Periods Ended September 30, 1999 and 1998
(Unaudited)

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
	(In thousands of dollars, except per share data)			
Revenues:				
Premiums written:				
Direct	$214,997	$192,107	$604,332	$557,637
Assumed	308	2,190	1,912	6,327
Ceded	(7,723)	(3,730)	(18,277)	(10,247)
Net premiums written	207,582	190,567	587,967	553,717
(Increase) decrease in unearned premiums	(7,540)	499	822	16,418
Net premiums earned	200,042	191,066	588,789	570,135
Investment income, net of expenses	39,303	36,461	114,845	106,175
Realized investment gains, net	48	2,639	3,401	13,880
Other revenue	10,990	10,708	39,946	32,676
Total revenues	250,383	240,874	746,981	722,866
Losses and expenses:				
Losses incurred, net	19,533	51,487	94,706	163,439
Underwriting and other expenses	48,289	46,498	153,471	137,188
Interest expense	4,788	5,308	14,830	12,394
Ceding commission	(813)	(839)	(1,739)	(2,105)
Total losses and expenses	71,797	102,454	261,268	310,916
Income before tax	178,586	138,420	485,713	411,950
Provision for income tax	55,677	41,928	149,452	126,199
Net income	$122,909	$ 96,492	$336,261	$285,751
Earnings per share (note 4):				
Basic	$ 1.13	$ 0.87	$ 3.09	$ 2.52
Diluted	$ 1.11	$ 0.86	$ 3.06	$ 2.49
Weighted average common shares outstanding - diluted (shares in thousands, note 4)	110,261	112,695	109,993	114,728
Dividends per share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 1999 and 1998
(Unaudited)

	Nine Months Ended September 30, 1999	1998
	(In thousands of dollars)	
Cash flows from operating activities:		
Net income	$336,261	$285,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred insurance policy acquisition costs	12,064	16,569
Increase in deferred insurance policy acquisition costs	(10,624)	(14,078)
Depreciation and amortization	8,783	5,470
Decrease (increase) in accrued investment income	342	(1,988)
Decrease in reinsurance recoverable on loss reserves	6,060	5,048
Decrease in reinsurance recoverable on unearned premiums	1,838	2,375
(Decrease) increase in loss reserves	(8,234)	45,432
Decrease in unearned premiums	(2,658)	(18,795)
Equity earnings in joint ventures	(10,750)	(7,420)
Other	32,500	(12,215)
Net cash provided by operating activities	365,582	306,149
Cash flows from investing activities:		
Purchase of equity securities	(13,770)	(3,886)
Purchase of fixed maturities	(928,418)	(689,255)
Additional investment in joint ventures	(20,587)	(15,926)
Proceeds from sale of equity securities	-	116,164
Proceeds from sale or maturity of fixed maturities	748,264	348,027
Net cash used in investing activities	(214,511)	(244,876)
Cash flows from financing activities:		
Dividends paid to shareholders	(8,180)	(8,521)
Net (decrease) increase in notes payable	(31,000)	182,500
Interest payments on notes payable	(16,619)	(11,075)
Reissuance of treasury stock	2,929	14,220
Repurchase of common stock	(150,000)	(231,205)
Net cash used in financing activities	(202,870)	(54,081)
Net (decrease) increase in cash and short-term investments	(51,799)	7,192
Cash and short-term investments at beginning of period	176,859	119,626
Cash and short-term investments at end of period	$125,060	$126,818

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1999
(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, 1998 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, 1999 may not be indicative of the results that may be expected for the year ending December 31, 1999.

Note 2 - Notes payable

At September 30, 1999, the Company's outstanding balance of the notes payable on the 1997 and 1998 credit facilities were $200 million and $211 million, respectively, which approximated market value. The interest rate on the notes payable varies based on LIBOR and at September 30, 1999 and December 31, 1998 the rate was 6.13% and 5.80%, respectively. The weighted average interest rate on the notes payable for borrowings under the 1997 and 1998 credit agreements was 5.38% per annum for the nine months ended September 30, 1999. In addition to the 1997 and 1998 credit facilities, the Company entered into a $100 million credit facility in November 1999. Currently, there are no outstanding borrowings under this facility.

During the nine months ended September 1999, the Company utilized three interest rate swaps each with a notional amount of $100 million to reduce and manage interest rate risk on a portion of the variable rate debt under the credit facilities. With respect to all such transactions, the notional amount of $100 million represents the stated principal balance used as a basis for calculating payments. On the swaps, the Company receives a floating rate based on various floating rate indices and pays fixed rates ranging from 3.93% to 4.13%. Two of the swaps renew monthly and one expires in October 2000. Earnings during the nine months ended September 1999 on the swaps of approximately $3.0 million are netted against interest expense in the Consolidated Statement of Operations.

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,	
	1999	1998	1999	1998
	(Shares in thousands)			
Weighted-average shares - Basic EPS	108,533	111,417	108,863	113,184
Common stock equivalents	1,728	1,278	1,130	1,544
Weighted-average shares - Diluted EPS	110,261	112,695	109,993	114,728

Note 5 - Comprehensive income

The Company's total comprehensive income, as calculated per Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands of dollars)			
Net income	$122,909	$ 96,492	$336,261	$285,751
Other comprehensive (loss) gain	(27,666)	35,885	(102,476)	29,281
Total comprehensive income	$ 95,243	$132,377	$233,785	$315,032

The difference between the Company's net income and total comprehensive income for the three and nine months ended September 30, 1999 and 1998 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, 2000. 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. (See note 2.)

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

Results of Consolidated Operations

Three Months Ended September 30, 1999 Compared With Three Months Ended September 30, 1998

Net income for the three months ended September 30, 1999 was $122.9 million, compared to $96.5 million for the same period of 1998, an increase of 27%. Diluted earnings per share for the three months ended September 30, 1999 was $1.11 compared to $0.86 in the same period last year, an increase of 29%. The percentage increase in diluted earnings per share was favorably affected by the lower adjusted shares outstanding at September 30, 1999 as a result of common stock repurchased by the Company during the fourth quarter of 1998 and in September 1999. See note 4 to the consolidated financial statements. As used in this report, the term "Company" means the Company and its consolidated subsidiaries which do not include joint ventures in which the Company has an equity interest.

The amount of new primary insurance written by Mortgage Guaranty Insurance Corporation ("MGIC") during the three months ended September 30, 1999 was $13.1 billion, compared to $11.8 billion in the same period of 1998. Refinancing activity accounted for 16% of new primary insurance written in the third quarter of 1999, compared to 24% in the third quarter of 1998.

The $13.1 billion of new primary insurance written during the third quarter of 1999 was offset by the cancellation of $8.2 billion of insurance in force, and resulted in a net increase of $4.9 billion in primary insurance in force, compared to new primary insurance written of $11.8 billion, the cancellation of $11.5 billion, and a net increase of $0.3 billion in primary insurance in force during the third quarter of 1998. New insurance written for the third quarter of 1999 includes $1.9 billion related to a structured transaction. Direct primary insurance in force was $145.1 billion at September 30, 1999 compared to $138.0 billion at December 31, 1998 and $137.8 billion at September 30, 1998. In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during the three months ended September 30, 1999 and September 30, 1998, which was virtually all agency pool insurance, was $125 million and $154 million, respectively. The Company's direct pool risk in force at September 30, 1999 was $1.5 billion compared to $1.1 billion at December 31, 1998 and is expected to increase.

Cancellation activity has historically been affected by the level of mortgage interest rates. Rising mortgage interest rates resulted in a decrease in cancellations during the third quarter of 1999 and an improvement in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 69.1% at September 30, 1999 from 66.6% at June 30, 1999. However, due to the high number of cancellations during the fourth quarter of 1998 and first half of 1999, the persistency rate at September 1999 is below the 71.5% persistency rate of a year ago. Future cancellation activity could also be affected as a result of legislation that went into effect in July 1999 regarding cancellation of mortgage insurance.

New insurance written for adjustable rate mortgages ("ARMs") increased to 20% of new insurance written during the third quarter of 1999 from 9% of new insurance written during the same period in 1998 as a result of higher mortgage interest rates on fixed rate mortgage loans. New insurance written for mortgages with loan-to-value ("LTV") ratios in excess of 90% but not more than 95% ("95%") were 42% of new insurance written during the third quarter of 1999 compared to 33% and 38% in the first and second quarters respectively, as a result of declining refinancing activity during 1999.

New insurance written for mortgages with LTV ratios in excess of 85% but not more than 90% ("90%") and coverage of 25% was 33% of new insurance written in the third quarter of 1999 compared to 38% for the same period a year ago. New insurance written for 95% LTV ratios and coverage of 30% was 33% in the current quarter compared to 37% in the third quarter of 1998. These decreases are generally the result of changes in mortgage insurance requirements by Fannie Mae and Freddie Mac described below.

Net premiums written were $207.6 million during the third quarter of 1999, compared to $190.6 million during the third quarter of 1998. Net premiums earned were $200.0 million for the third quarter of 1999 compared to $191.1 million for the same period in 1998. The increase was primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages and the growth in insurance in force from a year ago.

During the first quarter of 1999, Fannie Mae and Freddie Mac ("GSEs") changed their mortgage insurance requirements for certain mortgages approved by their automated underwriting services. The changes permit lower coverage percentages on these loans than the deeper coverage percentages that went into effect in 1995. MGIC's premium rates vary with the depth of coverage. While lower coverage percentages result in lower premium revenue, lower coverage percentages should also result in lower incurred losses at the same level of claim incidence. MGIC's results could also be affected to the extent the GSEs are compensated for assuming default risk that would otherwise be insured by the private mortgage insurance industry. The GSEs have programs under which a delivery fee is paid to them, with mortgage insurance coverage reduced below the coverage that would be required in the absence of the delivery fee. In partnership with mortgage insurers, the GSEs are also beginning to offer programs under which, on delivery of an insured loan to a GSE, the primary coverage is converted to an initial shallow tier of coverage followed by a second tier that is subject to an overall loss limit and, depending on the program, some compensation may be paid to the GSE for services related to the loans.

In March 1999, the Office of Federal Housing Enterprise Oversight ("OFHEO") released a proposed risk-based capital stress test for the GSEs. One of the elements of the proposed stress test is that future claim payments made by a private mortgage insurer on GSE loans are reduced below the amount provided by the mortgage insurance policy to reflect the risk that the insurer will fail to pay. Claim payments from an insurer whose claims-paying ability rating is "AAA" are subject to a 10% reduction over the 10-year period of the stress test, while claim payments from a "AA" rated insurer, such as MGIC, are subject to a 20% reduction. The effect of the differentiation among insurers is to require the GSEs to have additional capital for coverage on loans provided by a private mortgage insurer whose claims-paying rating is less than "AAA." As a result, if adopted as proposed, there is an incentive for the GSEs to use private mortgage insurance provided by a "AAA" rated insurer. The Company does not believe there should be a reduction in claim payments from private mortgage insurance nor should there be a distinction between "AAA" and "AA" rated private mortgage insurers. The proposed stress test covers many topics in addition to capital credit for private mortgage insurance. The stress test as a whole has been controversial in the home mortgage finance industry and is not expected to become final for some time. The Company cannot predict whether the portion of the stress test discussed above will be adopted in its present form.

Mortgages (newly insured during the nine months ended September 1999 or in previous periods) equal to approximately 38% of MGIC's new insurance written during the third quarter of 1999 were subject to captive mortgage reinsurance and similar arrangements compared to 14% during the same period in 1998. Such arrangements entered into during a quarter customarily include loans newly insured in a prior quarter. As a result, the percentages cited above would be lower if only the current quarter's newly insured mortgages subject to such arrangements were included. The percentage of new insurance written subject to captive mortgage reinsurance arrangements is expected to increase during the remainder of 1999 as new transactions are consummated. At September 30, 1999 approximately 13% of MGIC's risk in force was subject to captive reinsurance and similar arrangements compared to 7% at December 31, 1998. In a February 1999 circular letter, the New York Department of Insurance said it was in the process of developing guidelines that would articulate the parameters under which captive mortgage reinsurance is permissible under New York insurance law.

Investment income for the third quarter of 1999 was $39.3 million, an increase of 8% over the $36.5 million in the third quarter of 1998. This increase was primarily the result of an increase in the amortized cost of average invested assets to $2.8 billion for the third quarter of 1999 from $2.5 billion for the third quarter of 1998, an increase of 12%. The portfolio's average pre-tax investment yield was 5.5% for the third quarter of 1999 and 5.7% for the same period in 1998. The portfolio's average after-tax investment yield was 4.7% for the third quarter of 1999 and 4.9% for the same period in 1998. The Company's net realized gains were immaterial during the three months ended September 30, 1999 compared to net realized gains of $2.6 million during the same period in 1998 resulting primarily from the sale of fixed maturities.

Other revenue was $11.0 million for the third quarter of 1999, compared with $10.7 million for the same period in 1998. The increase is primarily the result of an increase in equity earnings from Credit-Based Asset Servicing and Securitization LLC and Litton Loan Servicing LP (collectively, "C-BASS"), a joint venture with Enhance Financial Services Group Inc., offset by a decrease in contract underwriting revenue. In accordance with generally accepted accounting principles, each quarter C-BASS is required to estimate the value of its mortgage-related assets and recognize in earnings the resulting net unrealized gains and losses. Including open trades, C-BASS's mortgage-related assets were $689 million at September 30, 1999 and are expected to increase in the future. Substantially all of C-BASS's mortgage-related assets do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of C-BASS.

Net losses incurred decreased 62% to $19.5 million during the third quarter of 1999 from $51.5 million during the third quarter of 1998. Such decrease was primarily attributed to an increase in the redundancy in prior year loss reserves, a decline in losses paid, continued improvement in California and generally strong 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, 1998. The primary notice inventory increased from 25,573 at June 30, 1999 to 27,102 at September 30, 1999. The pool notice inventory increased from 8,015 at June 30, 1999 to 10,030 at September 30, 1999, attributable to defaults on new agency pool insurance written during 1997 and 1998. At September 30, 1999, 62% of MGIC's insurance in force was written during the preceding eleven quarters, compared to 55% at September 30, 1998. 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 $48.3 million in the third quarter of 1999 from $46.5 million in the third quarter of 1998, an increase of 4%. This increase was primarily due to increases associated with field office underwriting expenses.

Interest expense decreased to $4.8 million in the third quarter of 1999 from $5.3 million during the same period in 1998 primarily due to a lower weighted average outstanding notes payable balance during the three months ended September 30, 1999 compared to the comparable period in 1998.

The Company utilized financial derivative transactions during the third quarter of 1999 consisting of interest rate swaps to reduce and manage interest rate risk on its notes payable. During the third quarter of 1999, earnings on such transactions aggregated approximately $1.2 million and were netted against interest expense. See note 2 to the consolidated financial statements.

The consolidated insurance operations loss ratio was 9.8% for the third quarter of 1999 compared to 26.9% for the third quarter of 1998. The consolidated insurance operations expense and combined ratios were 17.9% and 27.7%, respectively, for the third quarter of 1999 compared to 18.8% and 45.7% for the third quarter of 1998.

The effective tax rate was 31.2% in the third quarter of 1999, compared to 30.3% in the third quarter of 1998. 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 1999 resulted from a lower percentage of total income before tax being generated from the tax-preferenced investments.

Nine Months Ended September 30, 1999 Compared With Nine Months Ended September 30, 1998

Net income for the nine months ended September 30, 1999 was $336.3 million, compared to $285.8 million for the same period of 1998, an increase of 18%. Diluted earnings per share for the nine months ended September 30, 1999 was $3.06 compared to $2.49 in the same period last year, an increase of 23%. The percentage increase in diluted earnings per share was favorably affected by the lower adjusted shares outstanding at September 30, 1999 as a result of common stock repurchased by the Company during the fourth quarter of 1998 and in September 1999. See note 4 to the consolidated financial statements.

The amount of new primary insurance written by MGIC during the nine months ended September 30, 1999 was $37.2 billion, compared to $31.1 billion in the same period of 1998. Refinancing activity accounted for 28% of new primary insurance written during the nine months ended September 30, 1999 compared to 30% during the comparable period of 1998.

The $37.2 billion of new primary insurance written during the nine months ended September 1999 was offset by the cancellation of $30.1 billion of insurance in force, and resulted in a net increase of $7.1 billion in primary insurance in force, compared to new primary insurance written of $31.1 billion, the cancellation of $31.8 billion, and a net decrease of $0.7 billion in primary insurance in force during the same period of 1998. Direct primary insurance in force was $145.1 billion at September 30, 1999 compared to $138.0 billion at December 31, 1998 and $137.8 billion at September 30, 1998. In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during the nine months ended September 30, 1999 and September 30, 1998, which was virtually all agency pool insurance, was $499 million and $446 million, respectively. The Company's direct pool risk in force at September 30, 1999 was $1.5 billion compared to $1.1 billion at December 31, 1998 and is expected to increase.

Cancellation activity has historically been affected by the level of mortgage interest rates and remained high during the nine months ended September 1999 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 69.1% at September 30, 1999 from 71.5% at September 30, 1998. However, the number of cancellations decreased during the second and third quarters resulting in the persistency rate increasing from 65.8% at March 31, 1999. Future cancellation activity could also be affected as a result of legislation that went into effect in July 1999 regarding cancellation of mortgage insurance.

Net premiums written were $588.0 million during the first nine months of 1999, compared to $553.7 million during the same period of 1998. Net premiums earned were $588.8 million for the nine months ended September 1999 compared to $570.1 million for the same period in 1998. The increase was primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages and the growth in insurance in force from a year ago.

For a discussion of certain programs with the GSEs regarding mortgage insurance and for a discussion of proposed capital regulations for the GSEs, see third quarter discussion.

Mortgages (newly insured during the nine months ended September 1999 or in previous periods) equal to approximately 31% of MGIC's new insurance written during the nine months ended September 1999 were subject to captive mortgage reinsurance and similar arrangements compared to 17% during the same period in 1998. Such arrangements entered into during a reporting period customarily include loans newly insured in a prior reporting period. As a result, the percentages cited above would be lower if only the current reporting period's newly insured mortgages subject to such arrangements were included. The percentage of new insurance written subject to captive mortgage reinsurance arrangements is expected to increase during the remainder of 1999 as new transactions are consummated. At September 30, 1999 approximately 13% of MGIC's risk in force was subject to captive reinsurance and similar arrangements compared to 7% at December 31, 1998. In a February 1999 circular letter, the New York Department of Insurance said it was in the process of developing guidelines that would articulate the parameters under which captive mortgage reinsurance is permissible under New York insurance law.

Investment income for the nine months ended September 1999 was $114.8 million, an increase of 8% over the $106.2 million in the comparable period of 1998. This increase was primarily the result of an increase in the amortized cost of average invested assets to $2.7 billion for the nine months ended September 1999 from $2.4 billion for the same period in 1998, an increase of 12%. The portfolio's average pre-tax investment yield was 5.5% for the nine months ended September 1999 and 5.7% for the same period in 1998. The portfolio's average after-tax investment yield was 4.7% for the nine months ended September 1999 and 4.9% for the same period in 1998. The Company realized gains of $3.4 million during the nine months ended September 30, 1999 resulting primarily from the sale of fixed maturities compared to realized gains of $13.9 million during the same period in 1998 resulting primarily from the sale of equity securities.

Other revenue was $39.9 million for the nine months ended September 1999, compared with $32.7 million for the same period in 1998. The increase is primarily the result of an increase in equity earnings from C-BASS, a joint venture with Enhance Financial Services Group Inc. and an increase in contract underwriting revenue. In accordance with generally accepted accounting principles, each quarter C-BASS is required to estimate the value of its mortgage-related assets and recognize in earnings the resulting net unrealized gains and losses. Including open trades, C-BASS's mortgage-related assets were $689 million at September 30, 1999 and are expected to increase in the future. Substantially all of C-BASS's mortgage-related assets do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of C-BASS.

Net losses incurred decreased 42% to $94.7 million during the nine months ended September 1999 from $163.4 million during the comparable period in 1998. Such decrease was primarily attributed to an increase in the redundancy in prior year loss reserves, a decline in losses paid, continued improvement in California and generally strong 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, 1998. The primary notice inventory declined from 29,253 at December 31, 1998 to 27,102 at September 30, 1999. The pool notice inventory increased from 6,524 at December 31, 1998 to 10,030 at September 30, 1999, attributable to defaults on new agency pool insurance written during 1997 and 1998. At September 30, 1999, 62% of MGIC's insurance in force was written during the preceding eleven quarters, compared to 55% at September 30, 1998. 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 $153.5 million in the nine months ended September 1999 from $137.2 million in the same period of 1998, an increase of 12%. This increase was primarily due to increases associated with contract and field office underwriting expenses.

Interest expense increased to $14.8 million in the nine months ended September 1999 from $12.4 million during the same period in 1998 due to a higher weighted average outstanding notes payable balance during the nine months ended September 30, 1999 compared to the comparable period in 1998.

The Company utilized financial derivative transactions during the nine months ended September 1999 consisting of interest rate swaps to reduce and manage interest rate risk on its notes payable. During the nine months ended September 1999, earnings on such transactions aggregated approximately $3.0 million and were netted against interest expense. See note 2 to the consolidated financial statements.

The consolidated insurance operations loss ratio was 16.1% for the nine months ended September 1999 compared to 28.7% for the comparable period in 1998. The consolidated insurance operations expense and combined ratios were 20.3% and 36.4%, respectively, for the nine months ended September 1999 compared to 19.2% and 47.9% for the comparable period in 1998.

The effective tax rate was 30.8% during the nine months ended September 1999, compared to 30.6% for the comparable period in 1998. 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 1999 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 $365.6 million for the nine months ended September 30, 1999, 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 $2.8 billion at both September 30, 1999 and December 31, 1998. The investment portfolio includes unrealized losses on securities marked to market at September 30, 1999 of $12.2 million and unrealized gains on securities marked to market at December 31, 1998 of $145.5 million. As of September 30, 1999, the Company had $118.3 million of short-term investments with maturities of 90 days or less. In addition, at September 30, 1999, 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 investments in C-BASS, Sherman Financial Group LLC, and Customers Forever, LLC ("joint ventures") were $106.6 million in aggregate at September 30, 1999, which includes the Company's share of the joint ventures' earnings since their inception. MGIC had guaranteed one half of a $50 million credit facility for C-BASS that was repaid in July 1999. Sherman Financial Group LLC, another joint venture with Enhance Financial Services Group Inc., is engaged in the business of purchasing, servicing and securitizing delinquent unsecured consumer assets such as credit card loans and Chapter 13 bankruptcy debt. MGIC is guaranteeing one half of a $50 million Sherman credit facility that is scheduled to expire in December 1999. Customers Forever, LLC, a joint venture with Marshall & Ilsley Corporation, established in August 1999, is an Internet-focused transaction services company dedicated to helping large residential mortgage servicers retain and enhance relationships with their customers nationwide. The Company expects that it will provide additional funding to the joint ventures.

Consolidated loss reserves decreased to $673.0 million at September 30, 1999 from $681.3 million at December 31, 1998 reflecting a decrease in primary loss reserves partially offset by an increase in pool loss reserves. 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 $2.6 million from $183.7 million at December 31, 1998 to $181.1 million at September 30, 1999, primarily reflecting the continued high level of monthly premium policies written, for which there is no unearned premium offset by an increase in unearned premiums for agency pool insurance written. Reinsurance recoverable on unearned premiums decreased $1.9 million to $6.9 million at September 30, 1999 from $8.8 million at December 31, 1998, primarily reflecting the reduction in unearned premiums.

Consolidated shareholders' equity increased to $1.7 billion at September 30, 1999, from $1.6 billion at December 31, 1998, an increase of 5%. This increase consisted of $336.3 million of net income during the first nine months of 1999 and $3.5 million from the reissuance of treasury stock offset by approximately $150.0 million for the repurchase of approximately 3.6 million shares of the Company's outstanding common stock, a decrease in net unrealized gains on investments of $102.5 million, net of tax, and dividends declared of $8.2 million.

In September 1999, the Company repurchased approximately 3.6 million shares of its outstanding common stock from a financial intermediary at a total cost of approximately $150.0 million, subject to a market price adjustment provision. Funds to repurchase the shares were provided from internal sources. The Company's Board of Directors has authorized the repurchase of approximately 2.3 million additional shares. Funds to purchase these shares are expected to be provided by cash flow and bank borrowings.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 12.5:1 at September 30, 1999 compared to 12.9:1 at December 31, 1998. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the net additional risk in force of $1.9 billion, net of reinsurance, during the first nine months of 1999.

The Company's combined insurance risk-to-capital ratio was 13.4:1 at September 30, 1999, compared to 13.6:1 at December 31, 1998. The decrease was due to the same reasons as described above.

The risk-to-capital ratios set forth above have been computed on a statutory basis. However, the methodology used by the rating agencies to assign claims-paying ability ratings permits less leverage than under statutory requirements. As a result, the amount of capital required under statutory regulations may be lower than the capital required for rating agency purposes. In addition to capital adequacy, the rating agencies consider other factors in determining a mortgage insurer's claims-paying rating, including its competitive position, business outlook, management, corporate strategy, and historical and projected operating performance.

For certain material risks of the Company's business, see "Risk Factors" below.

Risk Factors

The Company and its business may be materially affected by the factors discussed below. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that the Company may make.

Reductions in the volume of low down payment home mortgage originations may adversely affect the amount of private mortgage insurance (PMI) written by the PMI industry. The factors that affect the volume of low down payment mortgage originations include:

- the level of home mortgage interest rates,

- the health of the domestic economy as well as conditions in regional and local economies; housing affordability; population trends, including the rate of household formation,

- the rate of home price appreciation, which in times of heavy refinancing affects whether refinance loans have loan-to-value ratios that require PMI, and

- government housing policy encouraging loans to first-time homebuyers.

By selecting alternatives to PMI, lenders and investors may adversely affect the amount of PMI written by the PMI industry. These alternatives include:

- government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration,

- holding mortgages in portfolio and self-insuring,

- use of credit enhancements by investors, including Fannie Mae and Freddie Mac, other than PMI or using other credit enhancements in conjunction with reduced levels of PMI coverage, and

- mortgage originations structured to avoid PMI, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10% loan-to-value ratio (referred to as an 80-10-10 loan) rather than a first mortgage with a 90% loan-to-value ratio.

Fannie Mae and Freddie Mac have a material impact on the PMI industry. Because Fannie Mae and Freddie Mac are the largest purchasers of low down payment conventional mortgages, the business practices of these GSEs have a direct effect on private mortgage insurers. These practices affect the entire relationship between the GSEs and mortgage insurers and include:

- the level of PMI coverage, subject to the limitations of the GSE's charters when PMI is used as the required credit enhancement on low down payment mortgages,

- whether the GSE influences the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,

- whether a GSE will give mortgage lenders an incentive to select a mortgage insurer which has a "AAA" claims-paying ability rating to benefit from the lower capital required of the GSE under OFHEO's proposed stress test when a mortgage is insured by a "AAA" company,

- the underwriting standards that determine what loans are eligible for purchase by the GSEs, which thereby affect the quality of the risk insured by the mortgage insurer, as well as the availability of mortgage loans,

- the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and

- the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

The Company expects the level of competition within the PMI industry to remain intense. Competition for PMI premiums occurs not only among private mortgage insurers but increasingly with mortgage lenders through captive mortgage reinsurance transactions in which a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated by the lender. The level of competition within the PMI industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business at the same time as consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders.

Changes in interest rates, house prices and cancellation policies may materially affect persistency. In each year, most of MGIC's premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force is an important determinant of revenues. The factors affecting persistency of the insurance in force include:

- the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and

- mortgage insurance cancellation policies of mortgage investors along with the rate of home price appreciation experienced by the homes underlying the mortgages in the insurance in force.

The strong economic climate that has existed throughout the United States for some time has favorably impacted losses and encouraged competition to assume default risk. Losses result from events that adversely affect a borrower's ability to continue to make mortgage payments, such as unemployment, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. Favorable economic conditions generally reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A significant deterioration in economic conditions would adversely affect MGIC's losses. The low level of losses that has recently prevailed in the private mortgage insurance industry has encouraged competition to assume default risk through captive reinsurance arrangements, self-insurance, 80-10-10 loans and other means.

Litigation against mortgage lenders and settlement service providers has been increasing. In recent years, consumers have brought a growing number of lawsuits against home mortgage lenders and settlement service providers seeking monetary damages. There can be no assurance that the Company will not be subject to litigation or that any litigation will not be material. The Real Estate Settlement Procedures Act gives home mortgage borrowers the right to bring lawsuits seeking damages of three times the amount of the charge paid for a settlement service involved in a violation of this law. Under rules adopted by the United States Department of Housing and Urban Development, "settlement services" are services provided in connection with settlement of a mortgage loan, including services involving mortgage insurance.

The pace of change in the home mortgage lending and mortgage insurance industries will likely accelerate. The Company expects the processes involved in home mortgage lending will continue to evolve through greater use of technology. This evolution could effect fundamental changes in the way home mortgages are distributed. Lenders who are regulated depositary institutions could gain expanded insurance powers if financial modernization proposals become law. The capital markets are beginning to emerge as providers of insurance in competition with traditional insurance companies. These trends and others increase the level of uncertainty attendant to the PMI business, demand rapid response to change and place a premium on innovation.

Year 2000 Compliance

All of the Company's information technology systems ("IT Systems"), including all of its "business critical" IT Systems, have been assessed, reprogrammed, if necessary, and tested for Year 2000 compliance. The Company completed internal testing of all IT Systems for Year 2000 compliance in the third quarter of 1999. All reprogrammed systems have been implemented, i.e., are currently in use at the Company. In order to provide additional assurance that Year 2000 compliance has been maintained, the Company retested critical systems in October 1999 and will exercise control over system changes for the remainder of the year.

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 participated in the Mortgage Bankers Association Year 2000 Readiness Test (the "MBA Test"). The MBA Test, conducted during the first half of 1999, was designed to help mortgage industry participants evaluate interaction of their computer systems in a Year 2000 environment. Through the MBA Test and additional independent testing efforts, the Company has completed the Year 2000 readiness evaluation of its key automated interfaces with customers representing more than 90% of the Company's in-force policies.

All costs incurred through September 1999 for IT Systems for Year 2000 compliance have been expensed and were immaterial. The costs of the remaining quality control and implementation are expected to be immaterial.

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 assurance that it will also be Year 2000 compliant. In addition, the Company has made arrangements to acquire back-up power for its headquarters. The Company has received written assurance regarding Year 2000 compliance from landlords of the Company's underwriting service centers and local telephone companies.

The Company has long practiced contingency planning to address business disruption risks and has procedures for planning and executing contingency measures to provide for business continuity in the event of any circumstance that results in disruption to the Company's headquarters, warehouse facilities and leased workplace environments, including lack of utility services, transportation disruptions, and service provider failures. The Company has developed additional plans for the "special case" of business disruption due to Year 2000 compliance issues. These plans address continuity measures in five areas: physical building environment, including conducting operations at off-site facilities; business operations units, as discussed below; external factors over which the Company does not have control but can implement measures to minimize adverse impact on the Company's business; application system restoration priorities for the Company's computer systems; and contingencies specifically targeted towards monitoring Company facilities and systems at year-end 1999.

The business unit recovery plans address resumption of business in the worst case scenario of a total loss to a Company facility, including the inability to utilize computerized systems.

In view of the timing and scope of the MBA Test and other testing, the Company's contingency planning does not include developing special procedures with individual third parties if they are not themselves Year 2000 compliant. If the Company is unable to do business with such third parties electronically, it would seek to do business with them on a paper basis. Without knowing the identity of non-compliant third parties and the amount of transactions occurring between the Company and them, the Company cannot evaluate the effects on its business if it were necessary to substitute paper business processes for electronic business processes with such third parties. Among other effects, Year 2000 non-compliance by such third parties could delay receipt of renewal premiums by the Company or the reporting to the Company of mortgage loan delinquencies and could also affect the amount of the Company's new insurance written.

The foregoing statements are designated as a Year 2000 Readiness Disclosure pursuant to the Year 2000 Information Readiness Disclosure Act.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At September 30, 1999, the Company's derivative financial instruments in its investment portfolio were immaterial. 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, 1999, the effective duration of the Company's investment portfolio was 6.2 years. The effect of a 1% increase/decrease in market interest rates would result in a 6.2% 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.

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, 1999.

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 11, 1999.

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, 1999 and 1998

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands of dollars, except per share data)			
BASIC EARNINGS PER SHARE				
Average common shares outstanding	108,533	111,417	108,863	113,184
Net income	$122,909	$ 96,492	$336,261	$285,751
Basic earnings per share	$ 1.13	$ 0.87	$ 3.09	$ 2.52
DILUTED EARNINGS PER SHARE				
Adjusted shares outstanding:				
Average common shares outstanding	108,533	111,417	108,863	113,184
Net shares to be issued upon exercise of dilutive stock options after applying treasury stock method	1,728	1,278	1,130	1,544
Adjusted shares outstanding	110,261	112,695	109,993	114,728
Net income	$122,909	$ 96,492	$336,261	$285,751
Diluted earnings per share	$ 1.11	$ 0.86	$ 3.06	$ 2.49

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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