FORM 10-Q
UNITED STATES 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 **JUNE 30, 2007**

[ ] 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	**53202**
MILWAUKEE, WISCONSIN	(Zip Code)
(Address of principal executive offices)	

(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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [_] Non-accelerated filer [_]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] **NO** [X]

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	07/31/07	81,810,510

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2007 (Unaudited) and December 31, 2006

	June 30, 2007	December 31, 2006
	(In thousands of dollars)	
ASSETS		
Investment portfolio:		
Securities, available-for-sale, at market value:		
Fixed maturities (amortized cost, 2007-$5,188,261; 2006-$5,121,074)	$ 5,221,540	$ 5,249,854
Equity securities (cost, 2007-$2,639; 2006-$2,594)	2,571	2,568
Collateral held under securities lending (cost, 2007-$172,752)	172,752	--
Total investment portfolio	5,396,863	5,252,422
Cash and cash equivalents	183,387	293,738
Accrued investment income	65,436	64,646
Reinsurance recoverable on loss reserves	12,809	13,417
Prepaid reinsurance premiums	8,636	9,620
Premiums receivable	92,973	88,071
Home office and equipment, net	33,309	32,603
Deferred insurance policy acquisition costs	11,692	12,769
Investments in joint ventures	673,908	655,884
Income taxes recoverable	83,649	--
Other assets	236,245	198,501
Total assets	$ 6,798,907	$ 6,621,671
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves	$ 1,188,248	$ 1,125,715
Unearned premiums	208,247	189,661
Short- and long-term debt (note 2)	646,602	781,277
Obligations under securities lending	172,752	--
Income taxes payable	--	34,480
Other liabilities	183,486	194,661
Total liabilities	2,399,335	2,325,794
Contingencies (note 3)		
Shareholders' equity:		
Common stock, $1 par value, shares authorized 300,000,000; shares issued, 6/30/07 - 123,065,426 12/31/06 - 123,028,976; shares outstanding, 6/30/07 - 81,954,310 12/31/06 - 82,799,919	123,065	123,029
Paid-in capital	311,384	310,394
Treasury stock (shares at cost, 6/30/07 - 41,111,116 12/31/06 - 40,229,057)	(2,257,636)	(2,201,966)
Accumulated other comprehensive income, net of tax (note 5)	11,075	65,789
Retained earnings (note 7)	6,211,684	5,998,631
Total shareholders' equity	4,399,572	4,295,877
Total liabilities and shareholders' equity	$ 6,798,907	$ 6,621,671

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Six Month Periods Ended June 30, 2007 and 2006
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands of dollars, except per share data)			
Revenues:				
Premiums written:				
Direct	$ 358,528	$ 340,907	$ 700,366	$ 674,483
Assumed	757	447	1,441	844
Ceded	(38,297)	(36,074)	(76,785)	(69,575)
Net premiums written	320,988	305,280	625,022	605,752
Increase in unearned premiums, net	(14,537)	(10,777)	(19,550)	(11,582)
Net premiums earned	306,451	294,503	605,472	594,170
Investment income, net of expenses	61,927	59,380	124,897	117,344
Realized investment losses, net	(9,829)	(1,838)	(12,839)	(1,751)
Other revenue	10,490	11,459	21,151	22,773
Total revenues	369,039	363,504	738,681	732,536
Losses and expenses:				
Losses incurred, net	235,226	146,467	416,984	261,352
Underwriting and other expenses, net	75,330	71,492	150,402	145,757
Interest expense	8,594	8,843	19,553	18,158
Total losses and expenses	319,150	226,802	586,939	425,267
Income before tax and joint ventures	49,889	136,702	151,742	307,269
Provision for income tax	5,073	34,479	28,616	80,645
Income from joint ventures, net of tax	31,899	47,616	45,952	86,668
Net income	$ 76,715	$ 149,839	$ 169,078	$ 313,292
Earnings per share (note 4):				
Basic	$ 0.94	$ 1.75	$ 2.07	$ 3.64
Diluted	$ 0.93	$ 1.74	$ 2.05	$ 3.61
Weighted average common shares outstanding - diluted (shares in thousands, note 4)	82,309	86,259	82,349	86,753
Dividends per share	$ 0.2500	$ 0.2500	$ 0.5000	$ 0.5000

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2007 and 2006
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
	(In thousands of dollars)	
Cash flows from operating activities:		
Net income	$ 169,078	$ 313,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred insurance policy acquisition costs	5,556	7,040
Increase in deferred insurance policy acquisition costs	(4,479)	(4,073)
Depreciation and amortization	9,715	12,588
(Increase) decrease in accrued investment income	(790)	1,866
Decrease in reinsurance recoverable on loss reserves	608	1,551
Decrease (increase) in prepaid reinsurance premiums	984	(873)
(Increase) decrease in premium receivable	(4,902)	7,514
Increase (decrease) in loss reserves	62,533	(37,117)
Increase in unearned premiums	18,586	12,454
Decrease in income taxes payable	(32,569)	(24,798)

Equity earnings in joint ventures	(65,658)	(127,746)
Distributions from joint ventures	51,512	84,409
Other	22,687	24,431
Net cash provided by operating activities	232,861	270,538
Cash flows from investing activities:		
Purchase of fixed maturities	(1,139,277)	(1,130,845)
Purchase of equity securities	(44)	--
Increase in collateral under securities lending	(172,752)	--
Additional investment in joint ventures	(3,916)	(1,503)
Proceeds from sale of fixed maturities	845,607	935,445
Proceeds from maturity of fixed maturities	212,574	109,202
Other	(14,822)	19,954
Net cash used in investing activities	(272,630)	(67,747)
Cash flows from financing activities:		
Dividends paid to shareholders	(41,546)	(43,716)
Repayment of long-term debt	(200,000)	--
Net proceeds from (repayment of) short-term debt	62,590	(57,722)
Increase in obligations under securities lending	172,752	--
Reissuance of treasury stock	1,300	3,856
Repurchase of common stock	(67,648)	(214,258)
Common stock issued	2,009	15,912
Excess tax benefits from share-based payment arrangements	(39)	4,323
Net cash used in financing activities	(70,582)	(291,605)
Net decrease in cash and cash equivalents	(110,351)	(88,814)
Cash and cash equivalents at beginning of period	293,738	195,256
Cash and cash equivalents at end of period	$ 183,387	$ 106,442

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007
(Unaudited)

Note 1 — Basis of presentation and summary of certain significant accounting policies

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 as prescribed by the Securities and Exchange Commission (“SEC”) for interim reporting and do not include all of the other information and disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2006 included in the Company’s Annual Report on Form 10-K.

In the opinion of management such financial statements include all adjustments, consisting primarily of normal recurring accruals, necessary to fairly present the Company’s financial position and results of operations for the periods indicated. The results of operations for the six months ended June 30, 2007 may not be indicative of the results that may be expected for the year ending December 31, 2007.

Business Combination

On February 6, 2007 the Company and Radian Group Inc. (“Radian”) announced that they had agreed to merge. The agreement provides for a merger of Radian into the Company in which 0.9658 share of the Company’s common stock are to be exchanged for each share of Radian common stock. The shares of the Company’s common stock to be issued to effect the merger will be recorded at $66.41 per share. This stock price is based on an average of the closing prices of the Company’s common stock for the two trading days before through the two trading days after the Company and Radian announced their merger. The transaction has been unanimously approved by each company’s board of directors and was also approved by each company’s stockholders at their respective annual meetings in May. The Company had previously announced that the transaction was expected to be completed early in the fourth quarter of 2007, subject to receiving the remaining insurance department regulatory approvals.

On August 7, 2007 the Company announced that it has advised the New York Insurance Department that it is the preliminary assessment of the Company’s management that the Company is not obligated to complete its pending merger with Radian in light of the Credit-Based Asset Servicing and Securitization LLC (“C-BASS”) impairment announced on July 30, 2007. Radian has informed the Company that it disagrees with the preliminary assessment of the Company’s management. The Company’s management is also reviewing other developments that may affect the Company’s obligation to close. Whether the Company will definitively conclude that it is not obligated to close the merger is a decision that will be made only by the Board of Directors of the Company, which will not be asked to decide until the Company’s management has completed its analysis. In connection with management’s analysis, the Company is requesting additional information from Radian. Subject to timely receipt of that information, management does not expect its analysis will be completed until the week of August 13. See Note 9. – Subsequent Events below for additional information regarding the impairment of C-BASS.

Securities Lending

The Company participates in securities lending, primarily as an investment yield enhancement, through a program administered by the Company's custodian. The program obtains collateral in an amount generally equal to 102% and 105% of the fair market value of domestic and foreign securities, respectively, and monitors the market value of the securities loaned on a daily basis with additional collateral obtained as necessary. The collateral received for securities loaned is included in the investment portfolio, and the offsetting obligation to return the collateral is reported as a liability, on the consolidated balance sheet. At June 30, 2007, the amount of the securities lending collateral and offsetting obligation was $172.8 million. The fair value of securities on loan at June 30, 2007 was $170.0 million.

New Accounting Standards

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities". This statement provides companies with an option to report selected financial assets and liabilities at fair value. The objective of this statement is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The statement also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The statement is effective for a company's first fiscal year beginning after November 15, 2007. The Company is currently evaluating the provisions of this statement and the impact, if any, this statement will have on the Company's results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements". This statement provides enhanced guidance for using fair value to measure assets and liabilities. This statement also provides expanded disclosure about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. This statement applies whenever other standards require or permit assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the provisions of this statement and the impact, if any, this statement will have on the Company's results of operations and financial position.

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 2006 amounts to conform to 2007 presentation.

Note 2 — Short- and long-term debt

The Company has a $300 million commercial paper program, which is rated "A-1" by Standard and Poors ("S&P") and "P-1" by Moody's. At June 30, 2007, December 31, 2006 and June 30, 2006, the Company had $149.5 million, $84.1 million and $133.5 million in commercial paper outstanding with a weighted average interest rate of 5.37%, 5.35% and 5.30%, respectively.

The Company has a $300 million, five year revolving credit facility, expiring in 2010. Under the terms of the credit facility, the Company must maintain shareholders' equity of at least $2.25 billion and Mortgage Guaranty Insurance Corporation ("MGIC") must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders' position (which includes MGIC's statutory surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At June 30, 2007, these requirements were met. The facility had been used as a liquidity back up facility for the outstanding commercial paper. At June 30, 2007, December 31, 2006 and June 30, 2006, the remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $150.5 million, $215.9 million and $166.5 million, respectively. On August 7, 2007 the Company drew $300 million on the revolving credit facility discussed above. These funds, in part, will be utilized to repay the outstanding commercial paper, which approximated $177 million at the time of the credit facility draw. The remaining funds will be utilized for general corporate purposes. We drew the portion of the revolving credit facility equal to our outstanding commercial paper because we believed that in the current environment funding with a long-term maturity was superior to funding that required frequent renewal on a short-term basis. We drew the remainder of the credit facility to provide us with greater financial flexibility at the holding company level.

In March 2007 the Company repaid the $200 million, 6% Senior Notes that came due with funds raised from the September 2006 public debt offering. At June 30, 2007 the Company had $200 million, 5.625% Senior Notes due in September 2011 and $300 million, 5.375% Senior Notes due in November 2015. At June 30, 2006 the Company had $300 million, 5.375% Senior Notes due in November 2015 and $200 million, 6% Senior Notes due in March 2007. At June 30, 2007, December 31, 2006 and June 30, 2006, the market value of the outstanding debt (which also includes commercial paper) was $633.4 million, $783.2 million and $615.6 million, respectively.

Interest payments on all long-term and short-term debt were $21.6 million and $19.1 million for the six months ended June 30, 2007 and 2006, respectively.

During 2006, an outstanding interest rate swap contract was terminated. This swap was placed into service to coincide with the committed credit facility, used as a backup for the commercial paper program. Under the terms of the swap contract, the Company paid a fixed rate of 5.07% and received a variable interest rate based on the London Inter Bank Offering Rate ("LIBOR"). The swap had an expiration date coinciding with the maturity of the credit facility and was designated as a cash flow hedge for accounting purposes. At June 30, 2007 the Company had no interest rate swaps outstanding.

(Income) expense on the interest rate swaps for the six months ended June 30, 2006 of approximately ($0.1) million was included in interest expense. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items.

Note 3 — Litigation and contingencies

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

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While the Company is not a defendant in any of these cases, there can be no assurance that MGIC will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on the Company.

In June 2005, in response to a letter from the New York Insurance Department (the "NYID"), the Company provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the NYID requested MGIC to review its premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the NYID that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce (the "MDC"), which regulates insurance, the Company provided the MDC with information about captive mortgage reinsurance and certain other matters. The Company subsequently provided additional information to the MDC. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development ("HUD") as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While the Company believes that its captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on the Company or the mortgage insurance industry.

Under its contract underwriting agreements, the Company may be required to provide certain remedies to its customers if certain standards relating to the quality of the Company's underwriting work are not met. The cost of remedies provided by the Company to customers for failing to meet these standards has not been material to the Company's financial position or results of operations for the six months ended June 30, 2007 and 2006.

See note 7 for a description of federal income tax contingencies.

Note 4 — Earnings per share

The Company's basic and diluted earnings per share ("EPS") have been calculated in accordance with SFAS No. 128, Earnings Per Share. The Company's net income is the same for both basic and diluted EPS. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares outstanding plus common stock equivalents which include stock awards and stock options. The following is a reconciliation of the weighted average number of shares used for basic EPS and diluted EPS.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)			
Weighted-average shares - Basic	81,763	85,668	81,827	86,122
Common stock equivalents	546	591	522	631
Weighted-average shares - Diluted	82,309	86,259	82,349	86,753

Note 5 — Comprehensive income

The Company's total comprehensive income, as calculated per SFAS No. 130, Reporting Comprehensive Income, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands of dollars)			
Net income	$ 76,715	$ 149,839	$ 169,078	$ 313,292

Other comprehensive loss	(50,046)	(32,717)	(54,714)	(64,240)
Total comprehensive income	$ 26,669	$ 117,122	$ 114,364	$ 249,052

Other comprehensive loss (net of tax):				
Change in unrealized net derivative gains and losses	$ --	$ --	$ --	$ 777
Change in unrealized gains and losses on investments	(53,664)	(32,717)	(59,578)	(65,053)
Other	3,618	--	4,864	36
Other comprehensive loss	$ (50,046)	$ (32,717)	$ (54,714)	$ (64,240)

At June 30, 2007, accumulated other comprehensive income of $11.1 million included $24.1 million of net unrealized gains on investments, $4.9 million relating to a foreign currency translation adjustment, ($17.8) million relating to defined benefit plans and ($0.1) million relating to the accumulated other comprehensive loss of the Company's joint venture investments, all net of tax. At December 31, 2006, accumulated other comprehensive income of $65.8 million included $83.7 million of net unrealized gains on investments, ($17.8) million relating to defined benefit plans and ($0.1) million relating to the accumulated other comprehensive loss of the Company's joint venture investments.

Note 6 — Benefit Plans

The following table provides the components of net periodic benefit cost for the pension, supplemental executive retirement and other postretirement benefit plans:

	Three Months Ended June 30,			
	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	2007	2006	2007	2006
	(In thousands of dollars)			
Service cost	$ 2,504	$ 2,463	$ 890	$ 898
Interest cost	3,016	2,741	1,112	1,024
Expected return on plan assets	(4,370)	(3,709)	(804)	(649)
Recognized net actuarial loss (gain)	63	98	26	111
Amortization of transition obligation	--	--	71	71
Amortization of prior service cost	141	141	--	--
Net periodic benefit cost	$ 1,354	$ 1,734	$ 1,295	$ 1,455

	Six Months Ended June 30,			
	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	2007	2006	2007	2006
	(In thousands of dollars)			
Service cost	$ 5,008	$ 4,926	$ 1,780	$ 1,796
Interest cost	6,032	5,482	2,224	2,048
Expected return on plan assets	(8,740)	(7,418)	(1,608)	(1,298)
Recognized net actuarial loss (gain)	126	196	52	222
Amortization of transition obligation	--	--	142	142
Amortization of prior service cost	282	282	--	--

Net periodic benefit cost	$ 2,708	$ 3,468	$ 2,590	$ 2,910

The Company previously disclosed in its financial statements for the year ended December 31, 2006 that it expected to contribute approximately $10.7 million and $3.5 million, respectively, to its pension and postretirement plans in 2007. As of June 30, 2007, no contributions have been made.

Note 7 – Income Taxes

Effective January 1, 2007, the Company has adopted FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." The Interpretation seeks to reduce the significant diversity in practice associated with recognition and measurement in the accounting for income taxes. The interpretation applies to all tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." When evaluating a tax position for recognition and measurement, an entity shall presume that the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. The interpretation adopts a benefit recognition model with a two-step approach, a more-likely-than-not threshold for recognition and derecognition, and a measurement attribute that is the greatest amount of benefit that is cumulatively greater than 50% likely of being realized. The Company as a result of the adoption recognized a decrease of $85.5 million in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of retained earnings.

The total liability for unrecognized tax benefits as of June 30, 2007 was $85.0 million. Included in that total are $73.9 million in benefits that would affect the Company's effective tax rate. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in income taxes. The Company has $20.5 million for the payment of interest accrued as of June 30, 2007.

The establishment of this liability requires estimates of potential outcomes of various issues and requires significant judgment. Although the resolutions of these issues are uncertain, the Company believes that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolutions of these matters differ materially from the Company's estimates, it could have a material impact on the Company's effective tax rate, results of operations and cash flows.

On June 1, 2007, as a result of an examination by the Internal Revenue Service ("IRS") for taxable years 2000 through 2004, the Company received a Revenue Agent Report ("RAR"). The adjustments reported on the RAR substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy-related penalties, plus applicable interest. The Company has agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining unagreed issue relates to the Company's treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits ("REMICS"). The IRS has indicated that it does not believe that, for various reasons, the Company has established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. The Company disagrees with this conclusion and believes that the flow through income and loss from these investments was properly reported on its federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and has appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, the Company made a payment on account of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. Radian holds an interest in a substantially similar portfolio of REMICs that was purchased from the same seller in a transaction that closed at the same time.

Note 8 — Condensed consolidating financial statements

The following condensed financial information sets forth, on a consolidating basis, the balance sheet, statement of operations, and statement of cash flows for MGIC Investment Corporation ("Parent Company"), which represents the Parent Company's investments in all of its subsidiaries under the equity method, Mortgage Guaranty Insurance Corporation and Subsidiaries ("MGIC Consolidated"), and all other subsidiaries of the Company ("Other") on a combined basis. The eliminations column represents entries eliminating investments in subsidiaries, intercompany balances, and intercompany revenues and expenses.

Condensed Consolidating Balance Sheets
At June 30, 2007
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
ASSETS					
Total investments	$ 2,182	$ 5,093,947	$ 300,734	$ --	$ 5,396,863
Cash and cash equivalents	250	152,099	31,038	--	183,387
Reinsurance recoverable on loss reserves	--	93,043	11	(80,245)	12,809
Prepaid reinsurance premiums	--	22,776	2	(14,142)	8,636
Deferred insurance policy acquisition costs	--	11,692	--	11,692	
Investments in subsidiaries/joint ventures	4,994,592	671,115	2,793	(4,994,592)	673,908
Other assets	55,082	453,733	32,083	(29,286)	511,612
Total assets	$ 5,052,106	$ 6,498,405	$ 366,661	$ (5,118,265)	$ 6,798,907
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Loss reserves	$ --	$ 1,188,248	$ 80,245	$ (80,245)	$ 1,188,248
Unearned premiums	--	208,247	14,142	(14,142)	208,247
Short- and long-term debt	646,563	9,364	--	(9,325)	646,602
Other liabilities	5,971	330,552	34,913	(15,198)	356,238
Total liabilities	652,534	1,736,411	129,300	(118,910)	2,399,335
Total shareholders' equity	4,399,572	4,761,994	237,361	(4,999,355)	4,399,572
Total liabilities and shareholders' equity	$ 5,052,106	$ 6,498,405	$ 366,661	$ (5,118,265)	$ 6,798,907

Condensed Consolidating Balance Sheets
At December 31, 2006
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
ASSETS					
Total investments	$ 27,374	$ 4,935,881	$ 289,167	$ --	$ 5,252,422
Cash and cash equivalents	162,198	99,286	32,254	--	293,738
Reinsurance recoverable on loss reserves	--	78,114	21	(64,718)	13,417
Prepaid reinsurance premiums	--	24,779	4	(15,163)	9,620
Deferred insurance policy acquisition costs	--	12,769	--	--	12,769
Investments in subsidiaries/joint ventures	4,882,408	652,910	2,974	(4,882,408)	655,884
Other assets	15,228	391,247	27,598	(50,252)	383,821
Total assets	$ 5,087,208	$ 6,194,986	$ 352,018	$ (5,012,541)	$ 6,621,671
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Loss reserves	$ --	$ 1,125,715	$ 64,718	$ (64,718)	$ 1,125,715
Unearned premiums	--	189,661	15,163	(15,163)	189,661
Short- and long-term debt	781,238	9,364	--	(9,325)	781,277
Other liabilities	10,093	219,105	31,651	(31,708)	229,141
Total liabilities	791,331	1,543,845	111,532	(120,914)	2,325,794
Total shareholders' equity	4,295,877	4,651,141	240,486	(4,891,627)	4,295,877
Total liabilities and shareholders' equity	$ 5,087,208	$ 6,194,986	$ 352,018	$ (5,012,541)	$ 6,621,671

Condensed Consolidating Statements of Operations
Three months ended June 30, 2007
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Revenues:					
Net premiums written	$ --	$ 302,338	$ 18,685	$ (35)	$ 320,988
Net premiums earned	--	286,975	19,511	(35)	306,451
Equity in undistributed net income of subsidiaries	27,309	--	--	(27,309)	--
Dividends received from subsidiaries	55,000	--	--	(55,000)	--
Investment income, net of expenses	84	57,301	4,542	--	61,927
Realized investment gains, net	--	(2,144)	(7,685)	--	(9,829)
Other revenue	--	2,582	7,908	--	10,490
Total revenues	82,393	344,714	24,276	(82,344)	369,039
Losses and expenses:					
Losses incurred, net	--	216,063	19,163	--	235,226
Underwriting and other expenses	96	54,060	21,220	(46)	75,330
Interest expense	8,594	--	--	--	8,594

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Total losses and expenses	8,690	270,123	40,383	(46)	319,150
Income before tax and joint ventures	73,703	74,591	(16,107)	(82,298)	49,889
Provision (credit) for income tax	(3,012)	14,387	(4,082)	(2,220)	5,073
Income from joint ventures, net of tax	--	31,808	91	--	31,899
Net income	$ 76,715	$ 92,012	$ (11,934)	$ (80,078)	$ 76,715

Condensed Consolidating Statements of Operations
Three months ended June 30, 2006
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Revenues:					
Net premiums written	$ --	$ 281,064	$ 24,256	$ (40)	$ 305,280
Net premiums earned	--	276,900	17,643	(40)	294,503
Equity in undistributed net income of subsidiaries	595	--	--	(595)	--
Dividends received from subsidiaries	155,000	--	--	(155,000)	--
Investment income, net of expenses	51	56,328	3,001	--	59,380
Realized investment gains, net	--	(1,905)	67	--	(1,838)
Other revenue	--	2,692	8,767	--	11,459
Total revenues	155,646	334,015	29,478	(155,635)	363,504
Losses and expenses:					
Losses incurred, net	--	140,753	5,714	--	146,467
Underwriting and other expenses	63	51,171	20,309	(51)	71,492
Interest expense	8,843	--	--	--	8,843
Total losses and expenses	8,906	191,924	26,023	(51)	226,802
Income before tax and joint ventures	146,740	142,091	3,455	(155,584)	136,702
Provision (credit) for income tax	(3,099)	36,958	582	38	34,479
Income from joint ventures, net of tax	--	47,616	--	--	47,616
Net income	$ 149,839	$ 152,749	$ 2,873	$ (155,622)	$ 149,839

Condensed Consolidating Statements of Operations
Six months ended June 30, 2007
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Revenues:					
Net premiums written	$ --	$ 588,336	$ 36,759	$ (73)	$ 625,022
Net premiums earned	--	567,767	37,778	(73)	605,472
Equity in undistributed net income of subsidiaries	69,932	--	--	(69,932)	--
Dividends received from subsidiaries	110,000	--	--	(110,000)	--
Investment income, net of expenses	2,452	113,629	8,816	--	124,897
Realized investment gains, net	--	(2,521)	(10,318)	--	(12,839)
Other revenue	--	5,180	15,971	--	21,151
Total revenues	182,384	684,055	52,247	(180,005)	738,681
Losses and expenses:					
Losses incurred, net	--	382,850	34,134	--	416,984
Underwriting and other expenses	166	108,816	41,515	(95)	150,402
Interest expense	19,553	--	--	--	19,553
Total losses and expenses	19,719	491,666	75,649	(95)	586,939
Income before tax and joint ventures	162,665	192,389	(23,402)	(179,910)	151,742
Provision (credit) for income tax	(6,413)	44,129	(6,323)	(2,777)	28,616
Income from joint ventures, net of tax	--	45,857	95	--	45,952
Net income	$ 169,078	$ 194,117	$ (16,984)	$ (177,133)	$ 169,078

Condensed Consolidating Statements of Operations
Six months ended June 30, 2006
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Revenues:					
Net premiums written	$ --	$ 563,717	$ 42,097	$ (62)	$ 605,752
Net premiums earned	--	560,102	34,130	(62)	594,170
Equity in undistributed net income of subsidiaries	(34,920)	--	--	34,920	--
Dividends received from subsidiaries	360,000	(360,000)	--		
Investment income, net of expenses	150	111,400	5,794	--	117,344
Realized investment gains, net	--	(1,848)	97	--	(1,751)
Other revenue	--	5,357	17,416	--	22,773
Total revenues	325,230	675,011	57,437	(325,142)	732,536
Losses and expenses:					
Losses incurred, net	--	251,352	10,000	--	261,352
Underwriting and other expenses	127	105,279	40,435	(84)	145,757
Interest expense	18,158	--	--	--	18,158
Total losses and expenses	18,285	356,631	50,435	(84)	425,267
Income before tax and joint ventures	306,945	318,380	7,002	(325,058)	307,269
Provision (credit) for income tax	(6,347)	85,696	1,241	55	80,645
Income from joint ventures, net of tax	--	86,668	--	--	86,668
Net income	$ 313,292	$ 319,352	$ 5,761	$ (325,113)	$ 313,292

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2007
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Net cash from operating activities:	$ 73,005 (1)	$ 266,830	$ 19,837	$ (126,811)	$ 232,861
Net cash from (used in) investing activities:	8,342	(276,769)	(21,053)	16,850	(272,630)
Net cash (used in) from financing activities:	(243,295)	62,752	--	109,961	(70,582)
Net (decrease) increase in Cash	$ (161,948)	$ 52,813	$ (1,216)	$ --	$ (110,351)

(1) Includes dividends received from subsidiaries of $110,000.

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2006
(in thousands of dollars)

	Parent Company	MGIC Consolidated	Other	Eliminations	Total
Net cash from operating activities:	$ 304,228 (1)	$ 317,995	$ 36,769	$ (368,500)	$ 290,492
Net cash (used in) from investing activities:	(8,411)	(47,292)	(40,498)	8,500	(87,701)
Net cash used in financing activities:	(295,928)	(355,677)	--	360,000	(291,605)
Net (decrease) increase in Cash	$ (111)	$ (84,974)	$ (3,729)	$ --	$ (88,814)

(1) Includes dividends received from subsidiaries of $360,000.

Note 9 – Subsequent events

On July 30, 2007, the Company announced that it had concluded that the value of its investment in C-BASS has been materially impaired. C-BASS, a limited liability company, is an unconsolidated, less than 50%-owned investment of the Company that is not controlled by the Company. The interests in C-BASS are owned by the Company and Radian in equal amounts (approximately 46% each), with the remaining interests owned by the management of C-BASS. Historically, C-BASS has been principally engaged in the business of investing in the credit risk of subprime single-family residential mortgages. Beginning in February 2007 and continuing through approximately the end of March 2007, the subprime mortgage market experienced significant turmoil. After a period of relative stability that persisted during April, May and through approximately late June, market dislocations recurred and then accelerated to unprecedented levels beginning in approximately mid-July 2007.

The Company's investment in C-BASS, included in "Investments in Joint Ventures" on the consolidated balance sheet, consists of approximately $466 million of equity as of June 30, 2007 and an additional $50 million drawn on July 20 and 23, 2007 under a $50 million unsecured credit facility that the Company provided to C-BASS on July 17, 2007. The Company has not determined the range of an impairment charge, although the upper boundary of the range could be the Company's entire investment, less any associated tax benefit.

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

Overview

Pending Merger with Radian Group

On February 6, 2007 we announced that we agreed to merge (the "Merger") with Radian Group Inc. ("Radian"). The agreement provides for a merger of Radian into us in which 0.9658 share of our common stock are to be exchanged for each share of Radian common stock. Radian has publicly reported that at May 4, 2007 it had 80.2 million shares of common stock outstanding. The transaction has been unanimously approved by each company's board of directors and was also approved by each company's stockholders at their respective annual meetings in May. We had previously announced that the transaction was expected to be completed early in the fourth quarter of 2007, subject to receiving the remaining insurance department regulatory approvals.

On August 7, 2007 we announced that we have advised the New York Insurance Department that it is the preliminary assessment of our management that we are not obligated to complete our pending Merger with Radian in light of the C-BASS impairment announced on July 30, 2007. Radian has informed us that they disagree with the preliminary assessment of our management. Our management is also reviewing other developments that may affect our obligation to close. Whether we will definitively conclude that we are not obligated to close the Merger is a decision that will be made only by our Board of Directors, which will not be asked to decide until our management has completed its analysis. In connection with management's analysis, we are requesting additional information from Radian. Subject to timely receipt of that information, management does not expect its analysis will be completed until the week of August 13. See "C-BASS Impairment" below and Note 9. to our consolidated financial statements for additional information.

We would almost double in size if the Merger occurs. See Note 16 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006. We would also be engaged in the financial guaranty business. We planned to dispose of certain of the interests that the combined company would have held in Sherman Financial Group LLC ("Sherman"), a joint venture, to avoid the potentially adverse impact that owning more than 50% may have on the combined company's financial ratings and to provide proceeds to repurchase our shares. For these same reasons, we had also planned to dispose of certain interests that the combined company would have held in C-BASS, but we have abandoned the effort to proceed with such a sale in view of C-BASS's liquidity problems. For more information about these problems, see the section titled "C-BASS Impairment"below. Repurchase of our shares is an important component of the Merger and we were also planning to use the proceeds of the C-BASS sale to fund a portion of such repurchases. As a result of C-BASS's liquidity problems, we could lose all future earnings from C-BASS.

The business description, financial results and any forward looking statements that follow apply only to our business, and do not reflect the effects of the Merger.

C-BASS Impairment

On July 30, 2007, we announced that we had concluded that the value of our investment in C-BASS was been materially impaired. C-BASS, a limited liability company, is an unconsolidated, less than 50%-owned investment of ours that is not controlled by us. The interests in C-BASS are owned by us and Radian in equal amounts (approximately 46% each), with the remaining interests owned by the management of C-BASS. Historically, C-BASS has been principally engaged in the business of investing in the credit risk of subprime single-family residential mortgages. Beginning in February 2007 and continuing through approximately the end of March 2007, the subprime mortgage market experienced significant turmoil. After a period of relative stability that persisted during April, May and through approximately late June, market dislocations recurred and then accelerated to unprecedented levels beginning in approximately mid-July 2007. As a result of the margin calls from lenders that C-BASS has not been able to meet, C-BASS's purchases of mortgages and mortgage securities and its securitization activities have ceased while C-BASS seeks to reach an accommodation with its lenders and raise new capital.

Our investment in C-BASS, included in "Investments in Joint Ventures" on our consolidated balance sheet, consists of approximately $466 million of equity as of June 30, 2007 and an additional $50 million drawn on July 20 and 23, 2007 under a $50 million unsecured credit facility that we provided to C-BASS on July 17, 2007. As of June 30, 2007 on a pro forma basis reflecting the amounts drawn under this credit facility, our investment in C-BASS was approximately $516 million. We have not determined the range of an impairment charge, although the upper boundary of the range could be our entire investment, less any associated tax benefit.

For further information regarding our determination that our interests in C-BASS are impaired, including the margin calls that led to C-BASS's liquidity problems, you should read our Current Report on Form 8-K filed on August 1, 2007.

Business and General Environment

Through our subsidiary Mortgage Guaranty Insurance Corporation ("MGIC"), we are the leading provider of private mortgage insurance in the United States to the home mortgage lending industry. Our principal products are primary mortgage insurance and pool mortgage insurance. Primary mortgage insurance may be written through the flow market channel, in which loans are insured in individual, loan-by-loan transactions. Primary mortgage insurance may also be written through the bulk market channel, in which portfolios of loans are individually insured in single, bulk transactions.

As used below, "we" and "our" refer to MGIC Investment Corporation's consolidated operations. The discussion below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2006. We refer to this Discussion as the "10-K MD&A."

Our results of operations are affected by:

- Premiums written and earned

  Premiums written and earned in a year are influenced by:

  - New insurance written, which increases the size of the in force book of insurance. New insurance written is the aggregate principal amount of the mortgages that are insured during a period and is referred to as "NIW". NIW is affected by many factors, including the volume of low down payment home mortgage originations and competition to provide credit enhancement on those mortgages, including competition from other mortgage insurers and alternatives to mortgage insurance, such as piggyback loans.

  - Cancellations, which reduce the size of the in force book of insurance that generates premiums. Cancellations due to refinancings are affected by the level of current mortgage interest rates compared to the mortgage coupon rates throughout the in force book, as well as by home price appreciation.

  - Premium rates, which are affected by the risk characteristics of the loans insured and the percentage of coverage on the loans.

  - Premiums ceded to reinsurance subsidiaries of certain mortgage lenders and risk sharing arrangements with the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (government sponsored entities or "GSEs").

  Premiums are generated by the insurance that is in force during all or a portion of the period. Hence, lower average insurance in force in one period compared to another is a factor that will reduce premiums written and earned, although this effect may be mitigated (or enhanced) by differences in the average premium rate between the two periods as well as by premium that is ceded. Also, NIW and cancellations during a period will generally have a greater effect on premiums written and earned in subsequent periods than in the period in which these events occur.

- Investment income

  The investment portfolio is comprised almost entirely of highly rated, fixed income securities. The principal factors that influence investment income are the size of the portfolio and its yield. As measured by amortized cost (which excludes changes in fair market value, such as from changes in interest rates), the size of the investment portfolio is mainly a function of cash generated from operations, including investment earnings, less cash used for non-investment purposes, such as share repurchases. Realized gains and losses are a function of the difference between the amount received on sale of a security and the security's amortized cost. The amount received on sale is affected by the coupon rate of the security compared to the yield of comparable securities.

- Losses incurred

  Losses incurred are the expense that results from a payment delinquency on an insured loan. As explained under "Critical Accounting Policies" in the 10-K MD&A, this expense is recognized only when a loan is delinquent. Losses incurred are generally affected by:

  - The state of the economy, which affects the likelihood that loans will become delinquent and whether loans that are delinquent cure their delinquency. The level of delinquencies has historically followed a seasonal pattern, with a reduction in delinquencies in the first part of the year, followed by an increase in the latter part of the year. However, this pattern did not continue during the second quarter of 2007, with delinquencies increasing sequentially over the first quarter of the year.

  - The product mix of the in force book, with loans having higher risk characteristics generally resulting in higher delinquencies and claims.

  - The average claim payment, which is affected by the size of loans insured (higher average loan amounts tend to increase losses incurred), the percentage coverage on insured loans (deeper average coverage tends to increase incurred losses), and housing values, which affect our ability to mitigate our losses through sales of properties with delinquent mortgages.

  - The distribution of claims over the life of a book. Historically, the first two years after a loan is originated are a period of relatively low claims, with claims increasing substantially for several years subsequent and then declining, although persistency and the condition of the economy can affect this pattern.

- Underwriting and other expenses

  Our operating expenses generally vary with the level of mortgage origination activity, contract underwriting volume and expansion into international markets. Contract underwriting generates fee income included in "Other revenue."

- Income from joint ventures

  Our results of operations are also affected by income from joint ventures. Joint venture income principally consists of the aggregate results of our investment in two less than majority owned joint ventures, C-BASS and Sherman. As noted in the section titled "C-BASS Impairment" above, in the third quarter of 2007, joint venture income will include an impairment charge associated with our interests in C-BASS.

C-BASS: As noted in the section titled “C-BASS Impairment” above, C-BASS’s purchases of mortgages and mortgage securities and its securitization activities have ceased while C-BASS seeks to reach an accommodation with its lenders and raise new capital. The discussion of C-BASS in the remainder of this Management’s Discussion and Analysis generally addresses C-BASS’s historical activities as conducted through the end of the second quarter of 2007.

C-BASS is primarily an investor in the credit risk of credit-sensitive single-family residential mortgages. It finances these activities through borrowings included on its balance sheet and by securitization activities generally conducted through off-balance sheet entities. C-BASS generally retains the first-loss and other subordinate securities created in the securitization. The mortgage loans owned by C-BASS and underlying C-BASS’s mortgage securities investments are generally serviced by Litton Loan Servicing LP, a subsidiary of C-BASS (“Litton”). Litton’s servicing operations primarily support C-BASS’s investment in credit risk, and investments made by funds managed or co-managed by C-BASS, rather than generating fees for servicing loans owned by third-parties.

C-BASS’s consolidated results of operations have historically been affected by:

- Portfolio revenue, which in turn is primarily affected by net interest income, gain on sale and liquidation, gain on securitization and hedging gains and losses related to portfolio assets and securitization, net of mark-to-market and whole loan reserve changes.

  - Net interest income

    Net interest income is principally a function of the size of C-BASS’s portfolio of whole loans and mortgages and other securities, and the spread between the interest income generated by these assets and the interest expense of funding them. Interest income from a particular security is recognized based on the expected yield for the security.

  - Gain on sale and liquidation

    Gain on sale and liquidation results from sales of mortgage and other securities, and liquidation of mortgage loans. Securities may be sold in the normal course of business or because of the exercise of call rights by third parties. Mortgage loan liquidations result from loan payoffs, from foreclosure or from sales of real estate acquired through foreclosure.

  - Gain on securitization

    Gain on securitization is a function of the face amount of the collateral in the securitization and the margin realized in the securitization. This margin depends on the difference between the proceeds realized in the securitization and the purchase price paid by C-BASS for the collateral. The proceeds realized in a securitization include the value of securities created in the securitization that are retained by C-BASS.

  - Hedging gains and losses, net of mark-to-market and whole loan reserve changes

    Hedging gains and losses primarily consist of changes in the value of derivative instruments (including interest rate swaps, interest rate caps and futures) and short positions, as well as realized gains and losses from the closing of hedging positions. C-BASS uses derivative instruments and short sales in a strategy to reduce the impact of changes in interest rates on the value of its mortgage loans and securities. Changes in value of derivative instruments are subject to current recognition through the income statement because C-BASS does not account for the derivatives as “hedges” under SFAS No. 133. Mortgage and other securities are classified by C-BASS as trading securities and are carried at fair value, as estimated by C-BASS. Changes in fair value between period ends (a “mark-to-market”) are reflected in C-BASS’s statement of operations as unrealized gains or losses. Changes in fair value of mortgage and other securities may relate to changes in credit spreads or to changes in the level of interest rates or the slope of the yield curve. Mortgage loans are not marked-to-market and are carried at the lower of cost or fair value on a portfolio basis, as estimated by C-BASS. During a period in which short-term interest rates decline, in general, C-BASS’s hedging positions will decline in value and the change in value, to the extent that the hedges related to whole loans, will be reflected in C-BASS’s earnings for the period as an unrealized loss. The related increase, if any, in the value of mortgage loans will not be reflected in earnings but, absent any countervailing factors, when mortgage loans owned during the period are securitized, the proceeds realized in the securitization should increase to reflect the increased value of the collateral.

- Servicing revenue

  Servicing revenue is a function of the unpaid principal balance of mortgage loans serviced and servicing fees and charges. The unpaid principal balance of mortgage loans serviced by Litton is affected by mortgages acquired by C-BASS because servicing on subprime and other mortgages acquired is generally transferred to Litton. Litton also services or provides special servicing on loans in mortgage securities owned by funds managed or co-managed by C-BASS. Litton also may obtain servicing on loans in third party mortgage securities acquired by C-BASS or when the loans become delinquent by a specified number of payments (known as “special servicing”).

- Revenues from money management activities

  These revenues include management fees from C-BASS issued collateralized bond obligations (“CBOs”), equity in earnings from C-BASS investments in investment funds managed or co-managed by C-BASS and management fees and incentive income from investment funds managed or co-managed by C-BASS.

Sherman: Sherman is principally engaged in purchasing and collecting for its own account delinquent consumer receivables, which are primarily unsecured, and in originating and servicing subprime credit card receivables. The borrowings used to finance these activities are included in Sherman's balance sheet. Seeking opportunities as a result of the turmoil in the subprime mortgage market, during the second quarter of 2007 Sherman acquired various portfolios of performing subprime second mortgages for an approximate aggregate purchase price of $328 million. Over the years Sherman has periodically acquired portfolios of non-performing second mortgages as well as mortgage securities in which the collateral is second mortgages.

Sherman's consolidated results of operations are affected by:

- Revenues from delinquent receivable portfolios

  These revenues are the cash collections on such portfolios, and depend on the aggregate amount of delinquent receivables owned by Sherman, the type of receivable and the length of time that the receivable has been owned by Sherman.

- Amortization of delinquent receivable portfolios

  Amortization is the recovery of the cost to purchase the receivable portfolios. Amortization expense is a function of estimated collections from the portfolios over their estimated lives. If estimated collections cannot be reasonably predicted, cost is fully recovered before any net revenue (the difference between revenues from a receivable portfolio and that portfolio's amortization) is recognized.

- Credit card interest and fees, along with the coincident provision for losses for uncollectible amounts.

- Costs of collection, which include servicing fees paid to third parties to collect receivables.

2007 Second Quarter Results

Our results of operations in the second quarter of 2007 were principally affected by:

- Losses incurred

  Losses incurred for the second quarter of 2007 increased compared to the same period in 2006 primarily due to an increase in the default inventory, compared to a decrease in the default inventory in the second quarter of 2006, as well as a larger increase in the estimates regarding how much will be paid on claims (severity), when compared to the same period in 2006. The increase in estimated severity is primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as a decrease in our ability to mitigate losses through the sale of properties in some geographical areas due to slowing home price appreciation in such areas or declines in home values.

- Premiums written and earned

  Premiums written and earned during the second quarter of 2007 increased compared to the same period in 2006. The average insurance in force continues to increase, but has been somewhat offset by lower average premium yields due to a higher proportion of insurance in force written through the flow channel compared to the same period a year ago.

- Underwriting and other expenses

  Underwriting and other expenses for the second quarter of 2007 increased when compared to the same period in 2006. The increase was primarily due to international expansion.

- Investment income

  Investment income in the second quarter of 2007 was higher when compared to the same period 2006 due to an increase in the pre-tax yield as well as an increase in the average amortized cost of invested assets.

- Income from joint ventures

  Income from joint ventures decreased in the second quarter of 2007 compared to the same period in 2006 due to lower income from C-BASS. Our portion of C-BASS's reported income in the second quarter of 2007 was $23.2 million, compared to $45.0 million in the second quarter of 2006.

RESULTS OF CONSOLIDATED OPERATIONS

As discussed under “Forward Looking Statements and Risk Factors” below, actual results may differ materially from the results contemplated by forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make in the following discussion or elsewhere in this document even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. Therefore no reader of this document should rely on these statements being accurate as of any time other than the time at which this document was filed with the Securities and Exchange Commission.

NIW

The amount of our NIW (this term is defined under “Premiums written and earned” in the “Overview–Business and General Environment” section) during the three and six months ended June 30, 2007 and 2006 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	($ billions)			
	2007	2006	2007	2006
NIW - Flow Channel	$ 17.3	$ 10.1	$ 27.7	$ 18.0
NIW - Bulk Channel	1.7	6.0	4.0	8.1
Total NIW	$ 19.0	$ 16.1	$ 31.7	$ 26.1
Refinance volume as a % of primary flow NIW	23%	22%	24%	25%

The increase in NIW on a flow basis in the second quarter and first six months of 2007, compared to the same periods in 2006, was primarily due to renewed interest among customers in credit quality protection, which we believe was affected by slowing property appreciation and declines in property values, along with changes in interest rates, and mortgage insurance tax deductibility. For a discussion of NIW written through the bulk channel, see “Bulk transactions” below.

As we have disclosed for some time in our Risk Factors (which are an integral part of this Management’s Discussion and Analysis), in recent years, the percentage of our volume written on a flow basis that includes segments we view as having a higher probability of claim has continued to increase. In particular, the percentage of our flow NIW with LTV ratios greater than 95% continues to grow. For the six months ended June 30, 2007 43% of our flow NIW had LTV ratios greater than 95%, compared to 30% for the same period in 2006.

In early August 2007, several mortgage companies that collectively represented 6.4% of our NIW written through the flow channel during the first half of 2007 announced that they are ceasing operations or curtailing the scope of their operations.

In June 2007 we wrote our first insurance policies in Australia and we anticipate writing policies in Canada by the first quarter of 2008, although the results of these international operations are not expected to be material to us for some time.

Cancellations and insurance in force

NIW and cancellations of primary insurance in force during the three and six months ended June 30, 2007 and 2006 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	($ billions)			
NIW	$ 19.0	$ 16.1	$ 31.7	$ 26.1
Cancellations	(11.2)	(13.2)	(22.1)	(26.3)
Change in primary insurance in force	$ 7.8	$ 2.9	$ 9.6	$ (0.2)

Direct primary insurance in force was $186.1 billion at June 30, 2007 compared to $176.5 billion at December 31, 2006 and $169.8 billion at June 30, 2006.

In the second quarter of 2007 insurance in force increased $7.8 billion. This was the fifth consecutive quarter of growth in the in force book. The $7.8 billion increase in the second quarter of 2007 was our second largest quarter of growth in the past ten years.

Cancellation activity has historically been affected by the level of mortgage interest rates and the level of home price appreciation. Cancellations generally move inversely to the change in the direction of interest rates, although they generally lag a change in direction. Our persistency rate (percentage of insurance remaining in force from one year prior) was 72.0% at June 30, 2007, an increase from 69.6% at December 31, 2006 and 64.1% at June 30, 2006. These persistency rate improvements and the related decline in cancellations reflect the general upward trend in mortgage interest rates and declining rate of home price appreciation over these periods. We continue to expect modest improvement in the persistency rate for the remainder of 2007, although this expectation assumes the absence of significant declines in the level of mortgage interest rates from their level in late July 2007.

Bulk transactions

Our writings of bulk insurance are in part sensitive to the volume of securitization transactions involving non-conforming loans. Our writings of bulk insurance are, in part, also sensitive to competition from other methods of providing credit enhancement in a securitization, including an execution in which the subordinate tranches in the securitization rather than mortgage insurance bear the first loss from mortgage defaults. Competition from such an execution depends on, among other factors, the yield at which investors are willing to purchase tranches of the securitization that involve a higher degree of credit risk compared to the yield for tranches involving the lowest credit risk (the difference in such yields is referred to as the spread), the amount of higher risk tranches that investors are willing to purchase, and the amount of credit for losses that a rating agency will give to mortgage insurance. As the spread narrows, competition from an execution in which the subordinate tranches bear the first loss increases. The competitiveness of the mortgage insurance execution in the bulk channel may also be impacted by changes in our view of the risk of the business, which is affected by the historical performance of previously insured pools and our expectations for regional and local real estate values. As a result of the sensitivities discussed above, bulk volume can vary materially from period to period.

NIW for bulk transactions was $1.7 billion in the second quarter of 2007 compared to $6.0 billion in the second quarter of 2006. The decrease in bulk writings was primarily due to a decrease in subprime originations and securitizations, as well as an increase in our view of the risk relative to the market. We price our bulk business to generate acceptable returns; there can be no assurance, however, that the assumptions underlying the premium rates will achieve this objective.

Pool insurance

In addition to providing primary insurance coverage, we also insure pools of mortgage loans. New pool risk written during the three months ended June 30, 2007 and 2006 was $45 million and $89 million, respectively. Our direct pool risk in force was $3.0 billion, $3.1 billion and $3.1 billion at June 30, 2007, December 31, 2006 and June 30, 2006, respectively. These risk amounts represent pools of loans with contractual aggregate loss limits and those without such limits. For pools of loans without such limits, risk is estimated based on the amount that would credit enhance the loans in the pool to a ‘AA’ level based on a rating agency model. Under this model, at June 30, 2007, December 31, 2006 and June 30, 2006, for $4.3 billion, $4.4 billion and $4.7 billion, respectively, of risk without such limits, risk in force is calculated at $474 million, $473 million and $471 million, respectively. For the three months ended June 30, 2007 and 2006 for $7 million and $11 million, respectively, of risk without contractual aggregate loss limits, new risk written under this model was $0.4 million and $0.9 million, respectively.

New pool risk written during the six months ended June 30, 2007 and 2006 was $87 million and $157 million, respectively. Under the model described above, for the six months ended June 30, 2007 and 2006 for $15 million and $30 million, respectively, of risk without contractual aggregate loss limits, new risk written during those periods was calculated at $0.7 million and $2 million, respectively.

Net premiums written and earned

Net premiums written and earned during the second quarter and first six months of 2007 increased when compared to the same period in 2006. The average insurance in force continues to increase, but has been somewhat offset by lower average premium yields due to a higher proportion of insurance in force written through the flow channel compared to the same period a year ago. Assuming no significant decline in interest rates from their level at the end of July 2007, we expect the average insurance in force during the remainder of 2007 to continue to be higher than in 2006 based on our expectation that private mortgage insurance will be used on a greater percentage of mortgage originations in 2007.

Risk sharing arrangements

For the quarter ended March 31, 2007, approximately 45.6% of our new insurance written on a flow basis was subject to arrangements with reinsurance subsidiaries of certain mortgage lenders or risk sharing arrangements with the GSEs compared to 47.4% for the quarter ended June 30, 2006. The decrease in NIW subject to risk sharing arrangements is primarily due to one of the GSEs terminating its secondary market coverage product on a run-off basis effective in January 2007. The percentage of new insurance written during a period covered by such arrangements normally increases after the end of the period because, among other reasons, the transfer of a loan in the secondary market can result in a mortgage insured during a period becoming part of such an arrangement in a subsequent period. Therefore, the percentage of new insurance written covered by such arrangements is not shown for the most recently ended quarter. Premiums ceded in such arrangements are reported in the period in which they are ceded regardless of when the mortgage was insured.

Investment income

Investment income for the second quarter and first six months of 2007 increased when compared to the same periods in 2006 due to an increase in the average investment yield, as well as an increase in the average amortized cost of invested assets. The portfolio’s average pre-tax investment yield was 4.59% at June 30, 2007 and 4.45% at June 30, 2006. The portfolio’s average after-tax investment yield was 4.13% at June 30, 2007 and 3.96% at June 30, 2006.

Other revenue

Other revenue for the second quarter and first six months of 2007 decreased when compared to the same periods in 2006. The decrease in other revenue is primarily the result of a decrease in revenue from contract underwriting.

Losses

As discussed in “Critical Accounting Policies” in the 10-K MD&A, consistent with industry practices, loss reserves for future claims are established only for loans that are currently delinquent. (The terms “delinquent” and “default” are used interchangeably by us and are defined as an insured loan with a mortgage payment that is 45 days or more past due.) Loss reserves are established by management’s estimation of the number of loans in our inventory of delinquent loans that will not cure their delinquency and thus result in a claim (historically, a substantial majority of delinquent loans have cured), which is referred to as the claim rate, and further estimating the amount that we will pay in claims on the loans that do not cure, which is referred to as claim severity. Estimation of losses that we will pay in the future is inherently judgmental. The conditions that affect the claim rate and claim severity include the current and future state of the domestic economy and the current and future strength of local housing markets.

Losses incurred for the second quarter and first six months of 2007 increased compared to the same periods in 2006 primarily due to increases in the default inventory, compared to decreases in the default inventory during the second quarter and first six months of 2006, as well as larger increases in the estimates regarding how much will be paid on claims (severity), when compared to the same periods in 2006. Historically the level of delinquencies has followed a seasonal pattern, with a reduction in delinquencies in the first part of the year, followed by an increase in the latter part of the year. In the second quarter of 2007 we experienced an increase in delinquencies, whereas traditionally we would have seen a flattening or decrease in the inventory.

Our estimates are determined based upon historical experience. The increases in estimated severity are primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as a decrease in our ability to mitigate losses through the sale of properties in some geographical areas. We have experienced increases in delinquencies in certain markets with higher than average loan balances, such as Florida and California. In California we have experienced an increase in delinquencies, from 3,000 as of December 31, 2006 to 4,150 as of June 30, 2007. The Florida delinquencies increased from 4,500 as of December 31, 2006 to 6,300 as of June 30, 2007. The average claim paid on California loans is twice as high as the average claim paid for the remainder of the country. We have also experienced an increase in delinquencies in Arizona and Massachusetts and those delinquencies also have above average loan balances.

In addition, our expectation entering the second quarter of 2007 was that claim rates in the Midwest had stabilized, however, the recent claim rates we have experienced in Michigan have increased slightly, most likely resulting from rising unemployment, declining home sales and falling home prices.

We anticipate that losses incurred during the remainder of 2007 will exceed net paid claims during this period and exceed the corresponding 2006 level of losses incurred.

Information about the composition of the primary insurance default inventory at June 30, 2007, December 31, 2006 and June 30, 2006 appears in the table below.

	June 30, 2007	December 31, 2006	June 30, 2006
Total loans delinquent	80,588	78,628	73,354
Percentage of loans delinquent (default rate)	6.11%	6.13%	5.77%
Prime loans delinquent*	36,712	36,727	34,268
Percentage of prime loans delinquent (default rate)	3.58%	3.71%	3.49%
A-minus loans delinquent*	17,943	18,182	17,575
Percentage of A-minus loans delinquent (default rate)	16.18%	16.81%	15.96%
Subprime credit loans delinquent*	11,679	12,227	12,001
Percentage of subprime credit loans delinquent (default rate)	28.03%	26.79%	24.38%
Reduced documentation loans delinquent	14,254	11,492	9,510
Percentage of reduced doc loans delinquent (default rate)	10.17%	8.19%	7.35%

*Prime loans have FICO credit scores of 620 or greater, as reported to us at the time a commitment to insure is issued. A-minus loans have FICO credit scores of 575-619, and subprime credit loans have FICO credit scores of less than 575. Most A-minus and subprime credit loans are written through the bulk channel.

The average primary claim paid for the second quarter of 2007 was $33,229 compared to $27,153 for the second quarter of 2006. The average primary claim paid for the six months ended June 30, 2007 was $32,068 compared to $27,016 for the same period in 2006. We expect increases in the average primary claim paid throughout 2007 and beyond. These increases are expected to be driven by our higher average insured loan sizes as well as decreases in our ability to mitigate losses through the sale of properties in some geographical regions, as certain housing markets, like California and Florida, become less favorable. The average loan size on our bulk business has grown from $147,000 in 2003 to $236,000 in 2006 and the flow average loan size has increased from $144,000 in 2003 to $161,000 in 2006.

The pool notice inventory increased slightly from 20,458 at December 31, 2006 to 20,781 at June 30, 2007; the pool notice inventory was 19,630 at June 30, 2006.

Information about net losses paid during the three and six months ended June 30, 2007 and 2006 appears in the table below.

Net paid claims ($ millions)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Prime (FICO 620 & >)	$ 75	$ 67	$ 142	$ 124
A-Minus (FICO 575-619)	36	32	70	60
Subprime (FICO < 575)	23	18	42	31
Reduced doc (All FICOs)	32	20	58	37
Other	22	25	42	45
	$ 188	$ 162	$ 354	$ 297

We anticipate that net paid claims in the remainder of 2007 will exceed their corresponding 2006 level.

As of June 30, 2007, 75% of our primary insurance in force was written subsequent to December 31, 2003. On our flow business, the highest claim frequency years have typically been the third and fourth year after the year of loan origination. However, the pattern of claims frequency can be affected by many factors, including low persistency (which can have the effect of accelerating the period in the life of a book during which the highest claim frequency occurs) and deteriorating economic conditions (which can result in increasing claims following a period of declining claims). On our bulk business, the period of highest claims frequency has generally occurred earlier than in the historical pattern on our flow business.

Underwriting and other expenses

Underwriting and other expenses for the second quarter and first six months of 2007 increased when compared to the same periods in 2006 primarily due to international expansion.

Consolidated ratios

The table below presents our consolidated loss, expense and combined ratios for the three and six months ended June 30, 2007 and 2006.

Consolidated Insurance Operations:	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Loss ratio	76.7%	49.7%	68.9%	44.0%
Expense ratio	16.7%	16.7%	17.3%	17.1%
Combined ratio	93.4%	66.4%	86.2%	61.1%

The loss ratio (expressed as a percentage) is the ratio of the sum of incurred losses and loss adjustment expenses to net premiums earned. The increase in the loss ratio in the second quarter and first six months of 2007, compared to the same periods in 2006, is due to an increase in losses incurred, offset by an increase in premiums earned. The expense ratio (expressed as a percentage) is the ratio of underwriting expenses to net premiums written. The increase in the expense ratio in the first six months of 2007, compared to the same period in 2006, is due to an increase in our expenses, offset by an increase in premiums written. The combined ratio is the sum of the loss ratio and the expense ratio.

Income taxes

The effective tax rate was 10.2% in the second quarter of 2007, compared to 25.2% in the second quarter of 2006. During those periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits recognized from tax-preferenced investments. Our tax-preferenced investments that impact the effective tax rate consist almost entirely of tax-exempt municipal bonds. Changes in the effective tax rate principally result from a higher or lower percentage of total income before tax being generated from tax-preferenced investments. The lower effective tax rate in the second quarter of 2007 resulted from a higher percentage of total income before tax being generated from tax-preferenced investments, which resulted from lower levels of underwriting income.

The effective tax rate was 18.9% in the first six months of 2007, compared to 26.2% for the first six months of 2006. The lower effective tax rate in the second quarter of 2007 resulted from a higher percentage of total income before tax being generated from tax-preferenced investments, which resulted from lower levels of underwriting income.

Joint ventures

Our equity in the earnings from the C-BASS and Sherman joint ventures with Radian and certain other joint ventures and investments, accounted for in accordance with the equity method of accounting, is shown separately, net of tax, on our consolidated statement of operations. The decrease in income from joint ventures for the second quarter and first six months of 2007 compared to the second quarter and first six months of 2006 is primarily the result of decreased equity earnings from C-BASS. Our portion of C-BASS's reported income in the second quarter of 2007 was $23.2 million, compared to $45.0 million in the second quarter of 2006. For the first six months of 2007 our portion of C-BASS's income was $16.5 million, compared to $75.1 million for the first six months of 2006. These decreases were primarily due to a write down in their securities portfolio due to spread widening and an increase in loss assumptions, securitization losses, negative mark-to-market adjustments on their whole loan portfolio and write-offs of claims against certain counterparties whose creditworthiness became impaired**.** As noted in the section titled "C-BASS Impairment" above, our results of operations for the third quarter of 2007 will include a charge associated with the impairment of our interests in C-BASS.

C-BASS

Fieldstone: On July 17, 2007 C-BASS completed its acquisition of Fieldstone Investment Corporation ("Fieldstone") under an agreement entered into during the first quarter of 2007. Under the terms of the acquisition, C-BASS acquired all of the outstanding common stock of Fieldstone for approximately $188 million. At March 31, 2007, Fieldstone owned and managed a portfolio of over $4.9 billion of non-conforming mortgage loans originated primarily by a Fieldstone subsidiary. These mortgage loans are financed through securitizations that are structured as debt with the result that both the mortgage loans and the related debt appear on Fieldstone's balance sheet. The closing of the acquisition does not change this balance sheet treatment. At March 31, 2007, according to information filed by Fieldstone with the Securities and Exchange Commission, Fieldstone's assets were $5.8 billion; its liabilities were $5.5 billion; and its shareholder's equity was $0.3 billion. As of the closing date, Fieldstone's assets and liabilities will be adjusted to reflect the fair value under purchase accounting, as required by generally accepted accounting principles. C-BASS's liquidity problems have resulted in the decision to close Fieldstone's wholesale operations, which were the bulk of Fieldstone's operations.

Subprime Market: Beginning in February 2007 and continuing through approximately the end of March 2007, the subprime mortgage market experienced significant turmoil. After a period of relative stability that persisted during April, May and through approximately late June, market dislocations recurred and then accelerated to unprecedented levels beginning in approximately mid-July 2007. As noted in the section titled "C-BASS Impairment" above, we have concluded that our interests in C-BASS are materially impaired.

Results of Operations and Financial Condition

Summary C-BASS balance sheets and income statements at the dates and for the periods indicated appear below. C-BASS is not consolidated with us for financial reporting purposes and is not controlled by us. It has independent auditors who report on its annual consolidated financial statements. C-BASS's internal controls over its financial reporting are not part of our internal controls over our financial reporting. However, our internal controls over our financial reporting include processes to assess the effectiveness of our financial reporting as it pertains to C-BASS. We believe those processes are effective in the context of our overall internal controls.

C-BASS Summary Balance Sheet: (June 30, 2007 - unaudited December 31, 2006 - audited)	June 30, 2007	December 31, 2006
	($ millions)	
Assets:		
Whole loans	$ 2,796	$ 4,596
Securities	2,179	2,422
Servicing	780	656
Other	865	1,127
Total Assets	$ 6,620	$ 8,801
Total Liabilities	$ 5,648	$ 7,875
Debt (1)	$ 4,539	$ 6,140
Owners' Equity	$ 972	$ 926

(1) Most of which is scheduled to mature within one year or less.

Included in whole loans and total liabilities at June 30, 2007 and December 31, 2006 were approximately $437 million and $741 million, respectively, of assets and $415 million and $720 million, respectively, of liabilities from third party securitizations that did not qualify for off-balance sheet treatment. The liabilities from these securitizations are not included in Debt in the table above.

C-BASS Summary Income Statement: (unaudited)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	(in millions)			
Portfolio	$ 42.5	$ 106.4	$ 24.2	$ 184.1
Net servicing	54.8	58.1	106.9	103.0
Money management and other	3.5	9.4	9.0	16.1
Total revenue	100.8	173.9	140.1	303.2
Total expense	50.7	76.5	104.7	140.4
Income before tax	$ 50.1	$ 97.4	$ 35.4	$ 162.8
Company’s share of pre-tax income	$ 23.2	$ 45.0	$ 16.5	$ 75.1

See “Overview—Business and General Environment—Income from Joint Ventures—C-BASS” for a description of the components of the revenue lines.

The decrease in pre-tax income in the second quarter and first six months of 2007, compared to the same periods in 2006, was primarily due to a write down in their securities portfolio due to spread widening and an increase in loss assumptions, securitization losses, negative mark-to-market adjustments on their whole loan portfolio and write-offs of claims against certain counterparties whose creditworthiness became impaired. These losses were offset by an operating profit, loan servicing, interest income on portfolios and reduced compensation expenses.

Our investment in C-BASS on an equity basis at June 30, 2007 was $466.0 million. There were no distributions from C-BASS since November 2006, when C-BASS determined to retain capital in connection with the transaction that ultimately became the Fieldstone acquisition. See Note 9. to our consolidated financial statements and “C-BASS Impairment” discussions above for additional information.

Sherman

Summary Sherman balance sheets and income statements at the dates and for the periods indicated appear below.

Sherman Summary Balance Sheet: (June 30, 2007 - unaudited December 31, 2006 - audited)	June 30, 2007	December 31, 2006
	($ millions)	
Total Assets	$ 1,778	$ 1,204
Total Liabilities	$ 1,469	$ 923
Debt	$ 1,206	$ 761
Members’ Equity	$ 309	$ 281

Sherman Summary Income Statement: (unaudited)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	(in millions)			
	$ 278.7	$ 265.1	$ 559.2	$ 547.5

Revenues from receivable portfolios				
Portfolio amortization	140.4	103.6	262.6	204.8
Revenues, net of amortization	138.3	161.5	296.6	342.7
Credit card interest income and fees	142.6	88.6	261.1	160.9
Other revenue	22.3	19.1	31.1	26.7
Total revenues	303.2	269.2	588.8	530.3
Total expenses	231.4	190.6	435.9	369.8
Income before tax	$ 71.8	$ 78.6	$ 152.9	$ 160.5
Company’s share of pre-tax income	$ 24.6	$ 27.2	$ 52.4	$ 55.5

Sherman’s increased revenues in the second quarter and first six months of 2007, compared to the same periods in 2006, was primarily due to increased credit card income and fees generated by Credit One Bank (“Credit One”). The increase in expenses from the second quarter and first six months of 2006 to the second quarter and first six months of 2007 was also related to Credit One.

Our investment in Sherman on an equity basis at June 30, 2007 was $164.6 million. We received $51.5 million of distributions from Sherman during the first half of 2007 and received $103.7 million of distributions from Sherman in 2006. Management of Sherman has advised us that it believes in the current environment it would be prudent to maintain a higher level of cash resources than Sherman has maintained in the past, with the result that the amount of distributions from Sherman are expected to decrease.

The “Company’s share of pre-tax income” line item in the table above includes $4.8 million and $10.3 million of additional amortization expense for the second quarter and first six months of 2007, respectively, above Sherman’s actual amortization expense, related to additional interests in Sherman that we purchased during the third quarter of 2006 at a price in excess of book value. Due to the additional interest purchased in 2006, the Company holds a greater equity interest in Sherman during the first half of 2007, compared to the first half of 2006.

Financial Condition

In March 2007 we repaid the $200 million, 6% Senior Notes that came due with funds raised from the September 2006 public debt offering. At June 30, 2007 we had $200 million, 5.625% Senior Notes due in September 2011 and $300 million, 5.375% Senior Notes due in November 2015. At June 30, 2006 we had $300 million, 5.375% Senior Notes due in November 2015 and $200 million, 6% Senior Notes due in March 2007. At June 30, 2007, December 31, 2006 and June 30, 2006, the market value of the outstanding debt (which also includes commercial paper) was $633.4 million, $783.2 million and $615.6 million, respectively.

See “C-BASS Impairment” and “Results of Operations–Joint ventures” above for information about the financial condition of C-BASS and Sherman.

As of June 30, 2007, 86% of our investment portfolio was invested in tax-preferenced securities. In addition, at June 30, 2007, based on book value, approximately 95% of our fixed income securities were invested in ‘A’ rated and above, readily marketable securities, concentrated in maturities of less than 15 years.

At June 30, 2007, our derivative financial instruments in our investment portfolio were immaterial. We primarily place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At June 30, 2007, the effective duration of our fixed income investment portfolio was 5.0 years. This means that for an instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.0% change in the market value of our fixed income portfolio.

Liquidity and Capital Resources

Our consolidated sources of funds consist primarily of premiums written and investment income. Positive cash flows are invested pending future payments of claims and other expenses. Management believes that future cash inflows from premiums will be sufficient to meet future claim payments. Cash flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities subject to insurance regulatory requirements regarding the payment of dividends to the extent funds were required by other than the seller. Substantially all of the investment portfolio securities are held by our insurance subsidiaries.

We have a $300 million commercial paper program, which is rated “A-1” by S&P and “P-1” by Moody’s. At June 30, 2007, December 31, 2006 and June 30, 2006, we had $149.5 million, $84.1 million and $133.5 million in commercial paper outstanding with a weighted average interest rate of 5.37%, 5.35% and 5.30%, respectively.

We have a $300 million, five year revolving credit facility expiring in 2010 which had been used as a liquidity back up facility for the outstanding commercial paper. Under the terms of the credit facility, we must maintain shareholders’ equity of at least $2.25 billion and MGIC must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders’ position (which includes MGIC’s statutory surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At June 30, 2007, these requirements were met. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $150.5 million, $215.9 million and $166.5 million at June 30, 2007, December 31, 2006 and June 30, 2006, respectively. On August 7, 2007 we drew $300 million on the revolving credit facility discussed above. These funds, in part, will be utilized to repay the outstanding commercial paper, which approximated $177 million at the time of the credit facility draw. The remaining funds will be utilized for general corporate purposes. We drew the portion of the revolving credit facility equal to our outstanding commercial paper because we believed that in the current environment funding with a long-term maturity was superior to funding that required frequent renewal on a short-term basis. We drew the remainder of the credit facility to provide us with greater financial flexibility at the holding company level.

During 2006, an outstanding interest rate swap contract was terminated. This swap was placed into service to coincide with our committed credit facility, used as a backup for the commercial paper program. Under the terms of the swap contract, we paid a fixed rate of 5.07% and received a variable interest rate based on LIBOR. The swap had an expiration date coinciding with the maturity of our credit facility and was designated as a cash flow hedge. At June 30, 2007 we had no interest rate swaps outstanding.

(Income) expense on interest rate swaps for the six months ended June 30, 2006 of approximately ($0.1) million was included in interest expense. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items.

The commercial paper, back-up credit facility and the Senior Notes are obligations of MGIC Investment Corporation and not of its subsidiaries. We are a holding company and the payment of dividends from our insurance subsidiaries is restricted by insurance regulation. MGIC is the principal source of dividend-paying capacity. Through July 2007, MGIC paid dividends of $110 million. As a result of the amount of dividends paid in the last 12 months, MGIC cannot currently pay any dividends without regulatory approval. In early August 2007 MGIC received regulatory approval to pay a quarterly dividend of $55 million in the third quarter of 2007. For additional information about our financial condition, results of operations and cash flows on a parent company basis, and MGIC, on a consolidated basis, see Note 8 to our consolidated financial statements in Item 1.

Effective January 1, 2007, we adopted FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes.” As a result of the adoption we recognized a decrease of $85.5 million in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of retained earnings. The total amount of unrecognized tax benefits as of June 30, 2007 is $85.0 million. Included in that total are $73.9 million in benefits that would affect the effective tax rate. We recognize interest accrued and penalties related to unrecognized tax benefits in income taxes. We have $20.5 million for the payment of interest accrued as of June 30, 2007.

The establishment of this liability requires estimates of potential outcomes of various issues and requires significant judgment. Although the resolutions of these issues are uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolutions of these matters differ materially from these estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

On June 1, 2007, as a result of an examination by the Internal Revenue Service (“IRS”) for taxable years 2000 through 2004, we received a Revenue Agent Report (“RAR”). The adjustments reported on the RAR substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy related penalties, plus applicable interest. We have agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining unagreed issue relates to our treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits (“REMICS”). The IRS has indicated that it does not believe that, for various reasons, that we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and has appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, we made a payment on account of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest.

During the first quarter of 2007, we did not repurchase any shares of Common Stock under publicly announced programs due to our pending merger with Radian. During the second quarter of 2007, we repurchased 1.1 million shares of Common Stock under publicly announced programs at a cost of $67.6 million. At June 30, 2007, we had Board approval to purchase an additional 3.6 million shares under these programs.

In connection with the merger, we agreed not to purchase Radian stock prior to July 13, 2007 without approval from Radian. Radian’s board has authorized certain of its officers to allow us to purchase Radian shares, but only in an amount not to exceed two million shares in the aggregate, subject to certain conditions. In May 2007 Radian’s officers authorized us to begin purchasing shares of Radian stock. As of the filing date of this document we have not purchased any Radian shares.

For additional information regarding stock repurchases, see Item 2(c) of Part II of this Quarterly Report on Form 10-Q. From mid-1997 through June 30, 2007, we repurchased 42.7 million shares under publicly announced programs at a cost of $2.4 billion. Funds for the shares repurchased by us since mid-1997 have been provided through a combination of debt, including the Senior Notes and the commercial paper, and internally generated funds.

Our principal exposure to loss is our obligation to pay claims under MGIC’s mortgage guaranty insurance policies. At June 30, 2007, MGIC’s direct (before any reinsurance) primary and pool risk in force (which is the unpaid principal balance of insured loans as reflected in our records multiplied by the coverage percentage, and taking account of any loss limit) was approximately $56.2 billion. In addition, as part of our contract underwriting activities, we are responsible for the quality of our underwriting decisions in accordance with the terms of the contract underwriting agreements with customers. Through June 30, 2007, the cost of remedies provided by us to customers for failing to meet the standards of the contracts has not been material. However, a generally positive economic environment for residential real estate over the last several years may have mitigated the effect of some of these costs. There can be no assurance that contract underwriting remedies will not be material in the future.

Our consolidated risk-to-capital ratio was 7.7:1 at June 30, 2007 and 7.5:1 at December 31, 2006.

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 historical and projected operating performance, business outlook, competitive position, management and corporate strategy.

Forward-Looking Statements and Risk Factors

General: Our revenues and losses could be affected by the risk factors referred to under “Location of Risk Factors” below that are applicable to us, and our income from joint ventures could be affected by the risk factors referred to under “Location of Risk Factors” that are applicable to C-BASS and Sherman. These risk factors are an integral part of Management’s Discussion and Analysis.

These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. Forward looking statements consist of statements which relate to matters other than historical fact. Among others, statements that include words such as we “believe”, “anticipate” or “expect”, or words of similar import, are forward looking statements. We are not undertaking any obligation to update any forward looking statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements were made.

Location of Risk Factors: The risk factors are in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2006, as supplemented by Part II, Item 1 A of our Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2007 and in Part II, Item 1 A of this Quarterly Report on Form 10-Q. The risk factors in the 10-K, as supplemented by those 10-Qs and through updating of various statistical and other information, are reproduced in Exhibit 99 to this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 30, 2007, derivative financial instruments in our investment portfolio were immaterial. We primarily place our investments in instruments that meet investment grade credit quality standards, as specified in our investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At June 30, 2007, the effective duration of our fixed income investment portfolio was 5.0 years. This means that for each instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.0% change in the market value of our fixed income investment portfolio.

Our borrowings under our commercial paper program are subject to interest rates that are variable. See the fourth and fifth paragraphs under “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources” for a discussion of our interest rate swaps.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer concluded that such controls and procedures were effective as of the end of such period. There was no change in our internal control over financial reporting that occurred during the second quarter of 2007 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1 A. Risk Factors

With the possible exception of the changes set forth below, there have been no material changes in our risk factors from the risk factors disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006, as supplemented by Part II, Item 1 A of our Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2007. The risk factors in the 10-K, as supplemented by the 10-Qs and through updating of various statistical and other information, are reproduced in Exhibit 99 to this Quarterly Report on Form 10-Q.

<u>Our proposed merger with Radian could adversely affect us.</u>

On February 6, 2007, we entered into a definitive agreement under which Radian Group, one of our mortgage insurance competitors, would merge into us. Completion of the merger is subject to various conditions, including insurance department regulatory approvals and the absence of circumstances that would have a material adverse effect on Radian. On August 7, 2007 we advised the New York Insurance Department that our management had made a preliminary assessment that a material adverse effect on Radian had occurred as a result of the impairment of Radian’s C-BASS investment. Radian disagrees with our management’s assessment.

We are subject to additional risks such as the following with respect to the merger:

- because the current price of our common stock may reflect a market assumption that we will complete the merger, a failure to complete the combination could result in a negative perception of us and a decline in the price of our common stock;
- we will have certain costs relating to the merger that will increase our expenses;
- the merger may distract us from day-to-day operations and require substantial commitments of time and resources by our personnel, which they otherwise could have devoted to other opportunities that could have been beneficial to us; and
- we expect some lenders will reallocate mortgage insurance business to competitors of MGIC and Radian as a result of the merger.

In addition, if the merger is completed, we may not be able to efficiently integrate Radian's businesses with ours or we may incur substantial costs and delays in integrating Radian's businesses with ours. Radian's business includes financial guaranty insurance, a business in which we have not previously engaged and which has characteristics that are different from mortgage guaranty insurance.

Certain rating agencies rate the financial strength rating of Radian's mortgage insurance operations Aa3 (or its equivalent). We expect that upon completion of the merger these rating agencies will downgrade our financial strength rating so that it is the same as Radian's. We do not expect such a downgrade to affect our business. However, our ability to continue to write new mortgage insurance business depends on our maintaining a financial strength rating of at least Aa3 (or its equivalent). Therefore, any further downgrade would have a material adverse affect on us.

Our income from joint ventures could be adversely affected by credit losses, insufficient liquidity or competition affecting those businesses.

C-BASS: Until liquidity problems during the third quarter of 2007 forced it to materially curtail its operations, Credit-Based Asset Servicing and Securitization LLC ("C-BASS") was principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. The discussion of C-BASS in the remainder of this Risk Factor generally addresses C-BASS's historical activities as conducted through the end of the second quarter of 2007. The scope of C-BASS's future operations and any value that we may realize from our investment in C-BASS will be determined by C-BASS's success in recapitalizing, either through consensual agreements with its creditors or under the Bankruptcy Code.

C-BASS is particularly exposed to funding risk and to credit risk through ownership of the higher risk classes of mortgage backed securities from its own securitizations and those of other issuers. In addition, C-BASS's results are sensitive to its ability to purchase mortgage loans and securities on terms that it projects will meet its return targets. C-BASS's mortgage purchases in recent years have primarily been of subprime mortgages, which bear a higher risk of default. The 2006 vintage of subprime mortgages has performed worse than recent prior vintages at a comparable period of seasoning. Credit losses are affected by housing prices. A higher house price at default than at loan origination generally mitigates credit losses while a lower house price at default generally increases losses. Over the last several years, in certain regions home prices have experienced rates of increase greater than historical norms and greater than growth in median incomes. During the period 2003 to the fourth quarter of 2006, according to the Office of Federal Housing Oversight, home prices nationally increased 37%. Since the fourth quarter of 2006, according to published reports, home prices have declined in certain areas and have experienced lower rates of appreciation in others.

With respect to liquidity, the substantial majority of C-BASS's on-balance sheet financing for its mortgage and securities portfolio is dependent on the value of the collateral that secures this debt. C-BASS maintains substantial liquidity to cover margin calls in the event of substantial declines in the value of its mortgages and securities. While C-BASS's policies governing the management of capital at risk and liquidity were intended to provide sufficient liquidity to cover an instantaneous and substantial decline in value, such policies were not sufficient to provide the liquidity C-BASS required as a result of the unprecedented dislocations in the subprime market that occurred beginning in approximately mid-July 2007. C-BASS is currently unable to meet its obligations to lenders who have required additional margin and as a result is in default with respect to its debt obligations. Many of C-BASS's competitors are larger and have a lower cost of capital.

At the end of each financial statement period, the carrying values of C-BASS's mortgage securities are adjusted to fair value as estimated by C-BASS's management. Increases in credit spreads between periods will generally result in declines in fair value that are reflected in C-BASS's results of operations as unrealized losses. Increases in spreads can also result in unrealized losses in C-BASS's whole loans, which are carried at the lower of cost or fair value as estimated by C-BASS's management.

The interest expense on C-BASS's borrowings is primarily tied to short-term rates such as LIBOR. In a period of rising interest rates, the interest expense could increase in different amounts and at different rates and times than the interest that C-BASS earns on the related assets, which could negatively impact C-BASS's earnings.

Sherman: Sherman Financial Group LLC ("Sherman") is engaged in the business of purchasing and servicing delinquent consumer assets, and in originating and servicing subprime credit card receivables. Among other factors. Sherman's results are sensitive to its ability to purchase receivable portfolios on terms that it projects will meet its return targets. While the volume of charged-off consumer receivables and the portion of these receivables that have been sold to third parties such as Sherman has grown in recent years, there is an increasing amount of competition to purchase such portfolios, including from new entrants to the industry, which has resulted in increases in the prices at which portfolios can be purchased.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES & USE OF PROCEEDS

(c) Repurchase of common stock:

Information about shares of Common Stock repurchased during the second quarter of 2007 appears in the table below.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (A)
April 1, 2007 through April 30, 2007	--	--	--	4,703,582
May 1, 2007 through May 31, 2007	--	--	--	4,703,582
June 1, 2007 through June 30, 2007	1,115,097	$ 60.67	1,115,097	3,588,485
Total	1,115,097	$ 60.67	1,115,097	3,588,485

(A) On January 26, 2006 the Company announced that its Board of Directors authorized the repurchase of up to ten million shares of our Common Stock in the open market or in private transactions.

In connection with the merger, we agreed not to purchase Radian stock prior to July 13, 2007 without approval from Radian. Radian's board has authorized certain of its officers to allow us to purchase Radian shares, but only in an amount not to exceed two million shares in the aggregate, subject to certain conditions. In May 2007 Radian's officers authorized us to begin purchasing shares of Radian stock. As of the filing date of this document we have not purchased any Radian shares.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Annual Meeting of Shareholders of the Company was held on May 10, 2007.

(b) Not applicable.

(c) Matters voted upon at the Annual Meeting and the number of shares voted for, against, abstaining from voting and broker non-votes were as follows. Except as noted below, there were no broker non-votes on any matter.

(1) Adopt the Agreement and Plan of Merger, by and between MGIC Investment Corporation and Radian Group, Inc., dated February 6, 2007.

For:	70,923,612
Against:	45,280
Abstaining from Voting:	444,687
Broker non-votes:	6,160,674

(2) Election of three Directors for a term expiring in 2010.

	FOR	WITHHELD
James A. Abbott	71,033,845	6,540,408
Thomas M. Hagerty	71,930,970	5,643,283
Michael E. Lehman	71,987,612	5,586,641

(3) Ratification of the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2007.

For:	77,072,392
Against:	75,417
Abstaining from Voting:	426,444

(4) Adjourn the Annual Meeting if necessary to permit further solicitation in the event there are not sufficient votes at the time of the Annual Meeting to approve the Agreement and Plan of Merger referred to in Item 1.

For:	73,250,668
Against:	3,887,732
Abstaining from Voting:	435,853

ITEM 6. EXHIBITS

The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item, and except as otherwise indicated in the next sentence, the Exhibits listed in such Index are filed as part of this Form 10-Q. Exhibit 32 is not filed as part of this Form 10-Q but accompanies this Form 10-Q.

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 August 9, 2007.

MGIC INVESTMENT CORPORATION

\s\ J. Michael Lauer
J. Michael Lauer
Executive Vice President and
Chief Financial Officer

\s\ Joseph J. Komanecki
Joseph J. Komanecki
Senior Vice President, Controller and
Chief Accounting Officer

INDEX TO EXHIBITS
(Part II, Item 6)

Exhibit Number	Description of Exhibit
10.7	Supplemental Executive Retirement Plan
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors
11	Statement Re Computation of Net Income Per Share
31.1	Certification of CEO under Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of CFO under Section 302 of Sarbanes-Oxley Act of 2002
32	Certification of CEO and CFO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 6 of Part II, this Exhibit is not being “filed”)
99	Risk Factors included in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2006, as supplemented by Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended March 31, and June 30, 2007 and through updating of various statistical and other information

MGIC INVESTMENT CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

1. Purpose

The purposes of this MGIC Investment Corporation Supplemental Executive Retirement Plan (hereinafter referred to as the "Plan") are to restore retirement benefits to certain participants in the Company's pension plan whose benefits under said Plan are or will be limited by reason of Sections 401(a)(17) or 415 of the Internal Revenue Code of 1986, as amended ("Code") and to provide certain other retirement benefits.

This Plan is completely separate from the tax-qualified Pension Plan maintained by the Company and is not funded or qualified for special tax treatment under the Code.

2. Effective Date

The Plan is effective as of July 31, 1990.

3. Definitions

The following terms as used herein shall have the meanings set forth below:

"Company" means MGIC Investment Corporation, a Wisconsin corporation.

"Employer" or "Employers" means the Company and any subsidiary or affiliate thereof which is a "Participating Employer" under the Pension Plan.

"Group Annuity Contract" means Group Annuity Contract 8474-0 issued by Metropolitan Life Insurance Company to provide for the payment of benefits accrued under a terminated pension plan previously maintained by the Company's predecessor.

"Participant"means an employee of the Employers who is a participant in the Pension Plan and who is (or whose position is) designated for participation herein by the board of directors of the Company. As of the Effective Date, the following officers of Mortgage Guaranty Insurance Corporation are designated as Participants:

Chief Executive Officer
Chief Operating Officer
All Executive Vice Presidents
All Senior Vice Presidents

"Pension Plan" means the defined benefit pension plan maintained by the Company known as the MGIC Investment Corporation Pension Plan and any successor to such plan maintained by the Company or any successor or affiliate of the Company.

"Pension Plan Benefits" means the monthly benefits payable under the terms of the Pension Plan and/or under the Group Annuity Contract.

In addition, (i) effective January 1, 1998, any employee of the Employers not referred to above who is in salary grade 401 through 412, inclusive, shall be in a position designated for participation in the Plan, and (ii) after December 31, 1999, William H. Lacy, while he remains an employee of an Employer, shall continue to be a participant in the Plan.

4. Administration

The Plan shall be administered by the Administrator of the Pension Plan ("Administrator"). Decisions and determinations by the Administrator shall be final and binding on all parties, except when manifestly contrary to the provisions of this Plan and except that no presumption of validity shall be given to any such decision or determination with respect to Section 5(d). The Administrator shall have the authority to interpret the Plan, to promulgate and revise rules and regulations relating to the Plan and to make any other determinations which it deems necessary or advisable for the administration thereof.

5. Pension Plan Supplement

(a) Any Participant who, upon termination of employment with the Employers after the Effective Date has a vested and nonforfeitable right to a pension under the Pension Plan, or such Participant's spouse or other beneficiary, shall be entitled to a benefit payable hereunder in accordance with this Section 5, equal to the excess, if any, of

(i) the amount of such Participant's, surviving spouse's or other beneficiary's Pension Plan Benefits computed under the provisions of the Pension Plan and Group Annuity Contract, but: determined without regard to the limitations on benefits imposed by reason of Section 415 of the Code or the limitation on considered compensation under Section 401(a)(17) of the Code; and, effective January 29, 2004, for an actively employed officer of Mortgage Guaranty Insurance Corporation then participating in the Plan, and for officers of Mortgage Guaranty Insurance Corporation who participate in the Plan thereafter, determined by adding to "Compensation," as that term is defined in the Pension Plan, the market value, determined as of the date of the award, of restricted stock of the Company awarded (regardless of whether such stock is subsequently forfeited) as part of such Participant's bonus during any year beginning on or after January 1, 1999, but excluding any such restricted stock awarded to match an election of such Participant to receive restricted stock; over

(ii) the amount of Pension Plan Benefits actually payable to such Participant, surviving spouse or other beneficiary for each month under the Pension Plan and Group Annuity Contract, as computed under the provisions of such Plan and Contract.

The amount of Pension Plan Benefits in the computation under clauses (i) and (ii) above shall exclude any Pension Plan Benefits earned after a Participant no longer occupies any position designated for participation in the Plan.

(b) Benefits under this Section 5 shall become payable when the Participant or the Participant's spouse or other beneficiary begins to receive Pension Plan benefits and shall be payable in the same manner, at the same time and in the same form as the benefits actually paid to the Participant, spouse or other beneficiary under the Pension Plan.

(c) Notwithstanding the foregoing, no benefits shall be payable under this Plan to or on behalf of any Participant whose employment with the Employers is terminated "for cause" or who engages in "prohibited competition." For purposes of this Plan, the term "for cause" shall mean fraud, dishonesty, theft, gross negligence, willful misconduct in the performance of duties or other similar causes. The term "prohibited competition" shall mean the rendering of services to any competitor of the Employers (i) during the term of his employment by the Employers and (ii) for a period of one year after any termination of the Participant's employment in the geographic area or areas (localized or national, as the case may be) in which he was employed, assigned or otherwise worked on behalf of the Company, or a present or future parent, subsidiary or affiliate of the Company, during the three years prior to the termination of his employment. For purposes of this Plan, the term "competitor" means any corporation, partnership, proprietorship or firm (i) engaged in the business of mortgage guaranty in any geographic area in which the Company or a present or future parent, subsidiary or affiliate of the Company is so engaged or (ii) engaged in any other business in which the Company or any subsidiary is engaged, in any geographic area in which the Company or any subsidiary is so engaged, but only if such business accounted for at least 10% of the revenues of the Company and its subsidiaries, on a consolidated basis, during the twelve months preceding the month in which the Participant's employment terminated.

(d) In the case of a Participant who first becomes a Participant in 1996, the foregoing provisions of Section 5 shall be modified to the extent provided below:

(i) For purposes of Section 5(a), such Participant shall be deemed to have a vested and nonforfeitable right to a pension under the Pension Plan.

(ii) For purposes of clause (i) of Section 5(a), such Participant (A) shall be deemed to have a Past Service Benefit under Section 5.01(a) of the Pension Plan equal to $2,833.33 per month, and (B) shall be deemed to have a number of years of Vesting Service under the Pension Plan sufficient to be eligible for each benefit under the Pension Plan and a vested percentage under the Pension Plan sufficient to avoid any reduction in the amount of any such benefit.

(iii) Section 5(b) shall not apply and benefits under this Section 5 shall become payable when such Participant or such Participant's spouse or other beneficiary would have received Pension Plan benefits assuming that such Participant's deemed Vesting Service under clause (ii) of this Section 5(d) was such Participant's actual Vesting Service under the Pension Plan and giving effect to any election to commence receiving benefits filed with the Administrator as contemplated below, except that if such an election is made under this Plan and such Participant is also eligible to elect to commence receiving benefits under the Pension Plan, such Participant shall also make such an election under the Pension Plan. Benefits under this Plan shall be payable in the same manner and in the same form as benefits would have been payable to the Participant, spouse or other beneficiary under the Pension Plan in accordance with the immediately preceding sentence if such benefits were actually payable thereunder. Any election by such Participant to commence receiving benefits or of the form of benefits under this Plan shall be filed with the Administrator in accordance with the same procedures as established under the Pension Plan, and in the case of an election of the form of benefits, shall be the same as any such election under the Pension Plan and shall be subject to the same restrictions as under the Pension Plan.

(iv) Section 5(c) shall apply only to benefits under this Plan which are attributable to the Annual Pension Credits of such Participant. No benefits under this Plan which are attributable to the Past Service Benefit referred to in clause (ii) of this Section 5(d) shall be payable to or on behalf of such Participant if (A) prior to the third anniversary of such Participant's first day as an employee of an Employer, such Participant quits (as such term is used in Section 2.01 (a)(i) of the Pension Plan) as an employee of the Employers other than as a result of a meaningful reduction in such Participant's job status, responsibilities or compensation, or (B) such Participant engages in "prohibited competition," as such term is used in Section 5(c).

(v) Capitalized definitional terms used in this Section 5(d) which are defined in the Pension Plan are used as so defined.

6. Plan Reserve

(a) The Company shall establish a bookkeeping reserve with respect to the benefits provided under this Plan. Such reserve shall serve solely as a device for determining the amount of the Company's accrued deferred liability for the benefits provided herein, and shall not constitute or be treated as a trust fund of any kind, it being expressly provided that the amounts credited to the reserve shall be and remain the sole property of the Company, and that no Participant shall have any proprietary rights of any nature whatsoever with respect thereto or with respect to any investments the Company may make to aid it in meeting its obligations hereunder.

(b) No funds or other assets of the Company shall be segregated and attributable to the amounts that may from time to time be credited to the reserve. Benefit payments under the Plan shall be made from the general assets of the Company at the time any such payments becomes due and payable. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor.

7. Inter-Employer Reimbursements

Although all benefit payments hereunder shall be made by the Company, the Administrator shall determine whether any portion thereof is allocable to any other Employer on account of its employment of one or more Participants. In any such case, the Company shall be reimbursed by such other Employer in the amount and manner determined by the Administrator.

8. Non-Alienation of Payments

Benefits payable under the Plan shall not be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment or encumbrance of any kind, by will, or by inter vivos instrument. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit payment, whether currently or thereafter payable, shall be void and shall not be recognized by the Administrator or the Company.

9. Limitation of Rights Against the Employers

Participation in this Plan, or any modifications thereof, or the payments of any benefits hereunder, shall not be construed as giving to any person any right to be retained in the service of the Employers, limiting in any way the right of the Employers to terminate such person's employment at any time, or evidencing any agreement or understanding that the Employers will employ such person in any particular position or at any particular rate of compensation.

10. Applicable Laws

The Plan shall be construed, administered and governed in all respects under and by the laws of the State of Wisconsin.

11. Liability

Neither the Company nor any shareholder, director, officer or other employee of any Employer or any other person shall be liable for any act or failure to act hereunder except for gross negligence or fraud.

12. Amendment or Termination

(a) The Company, by action of its board of directors, reserves the right to amend or terminate this Plan at any time, provided that no such amendment or modification shall adversely affect the rights of any Participant, spouse or other beneficiary with respect to any benefits under this Plan which have accrued to the effective date of such amendment, termination or modification.

(b) It is understood that an individual's entitlement to benefits under Section 5 of this Plan may be automatically reduced as the result of an increase in his Pension Plan Benefits. Nothing herein shall be construed in any way to limit the right of the Company to amend or modify the Pension Plan.

13. Code Section 409A Grandfathering

(a) The Plan shall be grandfathered to the maximum extent permitted under Internal Revenue Code (Code) Section 409A.

(b) The amount of compensation deferred before January 1, 2005, under the Plan for any Participant who, on December 31, 2004, had a vested and nonforfeitable right to a pension under the Pension Plan, shall be determined in accordance with Treasury Regulation 1.409A-6(a)(3). For purposes of calculating the present value of the grandfathered benefit amount, actuarial assumptions and methods shall be the same as those used to determine the present value of lump sum benefits under the Pension Plan as of each date such benefit is valued for purposes of determining the grandfathered amount.

14. Fixed Time and Form of Non-Grandfathered Benefit Payment

(a) The payment provisions of Section 5(b) of the Plan, as in effect on December 31, 2004, regarding form and time of payment of benefits shall not apply to the non-grandfathered benefits described in this Section 14. All other terms of the SERP continue to apply to the non-grandfathered benefit amount, including the forfeiture for cause or competition provisions of Section 5(c).

(b) The amount of compensation deferred for any Participant under the Plan on or after January 1, 2005, shall be paid in a single lump sum payment to the Participant, the Participant's surviving spouse, or other beneficiary, as applicable, on the first business day after the date that is six months following the Participant's "separation from service" within the meaning of Section 409A of the Code, as determined by applying the default rules thereof. No elections are permitted with regard to time or form of payment.

(c) The amount of compensation deferred on and after January 1, 2005, under the Plan for a Participant shall be determined in accordance with the methodology described in Treasury Regulation 1.409A-6(a)(3), but with regard to the full benefit amount to which the Participant, the Participant's surviving spouse, or other beneficiary, as applicable, is entitled under the Plan at the time of actual payment, reduced by the grandfathered amount determined at the same time in accordance with Section 13. For purposes of calculating the present value of the full benefit amount, actuarial assumptions and methods shall be the same as those used to determine the present value of lump sum benefits under the Pension Plan as of the date such benefit is valued for payment purposes.

(d) If any amount of compensation paid or benefits provided pursuant to the SERP may be includible in income under Code Section 409A, the Company shall, in consultation with the affected Participant, modify the terms of the SERP as applicable to the affected Participant's benefits in the least restrictive manner necessary in order to comply with the provisions of Code Section 409A, including taking into account other applicable provision (s) of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions, and without any diminution in the value of the payments to the Participant, the Participant's surviving spouse, or other beneficiary, as applicable.

Exhibit 10.8

MGIC INVESTMENT CORPORATION

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

Section 1. Purpose

The purpose of the MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors (the "Plan") is to promote the best interests of MGIC Investment Corporation, a Wisconsin corporation (together with any successor thereto, the “Company”), and its shareholders by providing a means to attract and retain directors of the highest capabilities who are not employees of the Company or of any Affiliate (as defined below) and to provide such directors with an opportunity to defer and convert all or any portion of their compensation for services as a member of the Board of Directors of the Company into share units representing an investment in shares of Common Stock of the Company and/or an interest-bearing account for payment upon death, disability, termination of services or designated distribution date.

Section 2. Definitions

As used in the Plan, the following terms shall have the respective meanings set forth below:

(a) “Administrator” shall mean the Secretary of the Company or such other person or persons as the Board of Directors of the Company may designate to administer the Plan.

(b) “Affiliate” shall mean any entity that, directly or through one or more intermediaries, is controlled by, controls, or is under common control with, the Company.

(c) “Commission” shall mean the United States Securities and Exchange Commission or any successor agency.

(d) “Common Stock” shall mean the common stock, $1.00 par value, of the Company.

(e) “Company” is defined in Section 1 hereof.

(f) “Compensation” shall mean those fees paid by the Company to Non-Employee Directors for services rendered on the Board of Directors of the Company or any committee of such Board, including attendance fees, fees for acting as committee chair or member, as well as annual retainer fees.

(g) “Disability” shall mean disability as set forth in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(h) “Distribution Date” shall mean the earliest to occur of the following events:

(i) The Non-Employee Director’s death.

(ii) The Non-Employee Director’s Disability.

(iii) The termination of the Non-Employee Director’s service as a member of the Board of Directors of the Company, whether by retirement or otherwise.

(iv) The date (if any) specified by the Non-Employee Director in accordance with Section 10 hereof.

(i) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(j) “Interest-Bearing Account” is defined in Section 8 hereof.

(k) “Non-Employee Director” is defined in Section 5 hereof.

(l) “Notice” is defined in Section 6(a) hereof.

(m) “Plan” is defined in Section 1 hereof.

(n) “Plan Year” shall mean the calendar fiscal year of the Company.

(o) “Rule 16b-3” shall mean Rule 16b-3 as promulgated by the Commission under the Exchange Act, or any successor rule or regulation thereto.

(p) “Share Account” is defined in Section 7(a) hereof.

Section 3. Administration

The Plan shall be administered by the Administrator. Subject to the terms of the Plan and applicable law, the Administrator shall have full power and authority to interpret the Plan, to prescribe, amend or rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of the Plan. The Plan shall be construed so that transactions under the Plan will be exempt from Section 16(b) of the Exchange Act. Unless otherwise expressly provided in the Plan, all determinations, interpretations and other decisions by the Administrator shall be final, conclusive and binding on all persons.

Section 4. Share Units Subject to Plan

The maximum number of share units (representing shares of Common Stock) that may be issued under the Plan shall be 160,000 units, subject to adjustment upon changes in the capitalization of the Company as provided Section 7(d) hereof. Any deferral which would cause such number to exceed 160,000 share units shall be credited to the Interest-Bearing Accounts.

Section 5. Eligibility

Any member of the Company's Board of Directors who is not an employee of the Company or of any Affiliate (a "Non-Employee Director") is eligible to participate in the Plan.

Section 6. Election to Defer Compensation

(a) Each Non-Employee Director may elect to defer all or any portion of his or her Compensation for services rendered during all Plan Year quarters commencing on the first day of the Plan Year quarter following the date of such Non-Employee Director's Notice. Any such deferral election shall be made by written notice to the Company in substantially the form attached hereto as Exhibit A ("Notice"). In the Notice, the Non-Employee Director shall indicate whether the amount to be deferred shall be (i) converted into share units and credited to a Share Account as provided in Section 7 hereof, (ii) credited to an Interest-Bearing Account as provided in Section 8 hereof, or (iii) credited to a combination of both accounts.

(b) A deferral election (including, without limitation, the amount deferred as specified in each Non-Employee Director's Notice) is irrevocable and will remain in effect as to all future Plan Year quarters and deferred amounts until a Non-Employee Director submits an amended Notice to the Company and such new irrevocable election or revocation becomes effective. Any amended Notice shall be effective with respect to Compensation earned on and after the first day of the Plan Year quarter beginning after the date of the amended Notice.

Section 7. Bookkeeping Share Unit Accounts

(a) The Company shall establish and maintain a bookkeeping share unit account ("Share Account") for each Non-Employee Director participating in the Plan. The Share Account shall reflect all entries required to be made pursuant to the Non-Employee Director's Notice and amended Notices, if any, and pursuant to this Plan.

(b) At the end of each Plan Year quarter, a Non-Employee Director's Share Account shall be credited with a number of share units equal to (i) the portion of the Non-Employee Director's Compensation deferred for such quarter designated in his or her then effective Notice to be converted into share units divided by (ii) the closing price per share of the Common Stock on the New York Stock Exchange on the last trading day of such quarter. Non-Employee Directors shall have no rights as stockholders of the Company with respect to share units credited to their Share Accounts.

(c) Whenever cash dividends or other distributions are paid by the Company on its outstanding Common Stock, there shall be credited to each Non-Employee Director's Share Account additional share units equal to (i) the aggregate dividend or distribution that would be payable on a number of outstanding shares of Common Stock equal to the number of share units in such Non-Employee Director's Share Account on the record date for the dividend divided by (ii) the closing price per share of the Common Stock as reported on the New York Stock Exchange on the last trading day immediately preceding the date of payment of the dividend.

(d) The number of share units credited to each Non-Employee Director's Share Account shall be adjusted as appropriate in the event of any changes in the outstanding Common Stock by reason of any stock dividend, stock split, recapitalization, merger, consolidation, combination, exchange of stock or other similar corporate change.

Section 8. Interest-Bearing Accounts

(a) The Company shall establish and maintain a bookkeeping interest-bearing account ("Interest-Bearing Account") for each Non-Employee Director participating in the Plan. The Interest-Bearing Account shall reflect all entries required to be made pursuant to the Non-Employee Director's Notice and amended Notices, if any, and pursuant to this Plan.

(b) At the end of each Plan Year quarter, a Non-Employee Director's Interest-Bearing Account shall be credited with the portion of the Non-Employee Director's Compensation deferred for such quarter designated in his or her then effective Notice to be credited to his or her Interest-Bearing Account. A Non-Employee Director's Interest-Bearing Account balance at the beginning of each Plan Year quarter shall also be credited at the end of such quarter with interest for the quarter at a rate equal to the Six Month U.S. Treasury Bill Rate determined at the closest preceding January 1 or July 1 of each year.

Section 9. Account Transfer

A Non-Employee Director may not transfer or convert a Share Account to an Interest-Bearing Account or vice versa. Notwithstanding the above or anything in this Plan to the contrary, a Non-Employee Director who has previously deferred Compensation under a Deferred Director Fee Agreement with the Company may elect to convert all or any portion of such previously deferred Compensation into share units, and thereby credit his or her Share Account, by submitting to the Company a written transfer election in substantially the form attached hereto as Exhibit B during the period beginning on the day following public release of financial results for the quarter ending September 30, 1993 and ending on the twentieth day following such date. All amounts previously deferred under the Deferred Director Fee Agreement not so converted into share units will be transferred and credited to the Non-Employee Director's Interest-Bearing Account under this Plan.

Section 10. Distributions

(a) A Non-Employee Director may designate on his or her initial Notice a Distribution Date for the commencement of payment of amounts credited to his or her Share Account and Interest-Bearing Account; *provided, however,* that any Distribution Date elected by a Non-Employee Director shall not be effective until the first day of the month coincident with or following the date that is six months after the initial Notice or amended Notice, as the case may be. All Distribution Date elections made by Non-Employee Directors are irrevocable and shall remain in effect until another irrevocable Distribution Date election becomes effective.

(b) A Non-Employee Director shall direct in his or her initial Notice whether distributions of the amount(s) accumulated in his or her Share Account and/or Interest-Bearing Account are to be made in (i) a lump sum, payable on the first business day of the calendar month following the applicable Distribution Date, or (ii) up to ten (10) annual installments commencing on the first business day of the calendar month following the applicable Distribution Date and continuing on the appropriate number of consecutive anniversaries of such date. If a Non-Employee Director receives distributions on an installment basis, amounts remaining in his or her Share Account and/or Interest-Bearing Account before payment in full is completed shall continue to be credited, as appropriate, with (i) additional share units in the event cash dividends are paid by the Company and shall be appropriately adjusted in the event of any changes in the outstanding Common Stock in accordance with Sections 7(c) and 7(d), respectively, hereof and/or (ii) interest in accordance with Section 8(b) hereof.

(c) All distributions made pursuant to the Plan shall be made in cash and, if appropriate, will be deemed to be made from the Share Accounts and the Interest-Bearing Accounts pro rata. If a Non-Employee Director has elected that some or all of his or her deferred Compensation be converted into share units as provided in Section 7 hereof, then the Company shall pay on the applicable date an amount in cash equal to the average of the closing price per share of the Common Stock on the New York Stock Exchange for the five (5) consecutive trading days immediately preceding the date of distribution multiplied by the number of share units (i.e., shares of Common Stock since each unit represents one share) that would be otherwise distributable.

(d) A Non-Employee Director may amend the method by which distributions are made under this Section 10 and Part III of the Notice by submitting an amended Notice to the Company.

(e) If the Distribution Date is the first day of the month following the Non-Employee Director's death or a fixed date which in fact occurs after the Non-Employee Director's death or if at the time of death the Non-Employee Director was receiving distributions in installments, the balance remaining in the Non-Employee Director's Share Account and/or Interest-Bearing Account shall be distributed to such beneficiary or beneficiaries as such Non-Employee Director shall have designated by an instrument in writing filed with the Company prior to the Non-Employee Director's death. All distributions to the Non-Employee Director's beneficiary or beneficiaries shall be in a lump sum and will be made as soon as practicable after the Non-Employee Director's death. In the absence of an effective beneficiary designation, the Non-Employee Director's Share Account and/or Interest-Bearing Account balance(s) shall be distributed to his or her estate.

Section 11. Amendments and Termination.

The Board of Directors of the Company hereby reserves the right to amend this Plan from time to time and to terminate this Plan at any time without the consent of the Non-Employee Directors or their beneficiaries; *provided, however,* that no amendment or termination may reduce any Share Account and/or Interest-Bearing Account balance accrued on behalf of a Non-Employee Director based on deferrals already made, or divest any Non-Employee Director of rights to which he or she would have been entitled if the Plan had been terminated immediately prior to the effective date of such amendment.

Section 12. General.

(a) **Assignment**. Neither the Non-Employee Director, nor his or her beneficiary, nor his or her estate shall have any right or power to transfer, assign, pledge, encumber or otherwise dispose of any rights hereunder and any such attempt to assign, transfer, pledge or other conveyance shall not be recognized by the Company. The rights of a Non-Employee Director hereunder are exercisable during the Non-Employee Director's lifetime only by him or her or his or her guardian or legal representative.

(b) **Non-Employee Directors' Rights Unsecured**. The right of any Non-Employee Director or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Non-Employee Director nor any beneficiary shall have any right, title or interest in or against any amount credited to his or her Share Account, his or her Interest-Bearing Account or any other specific assets of the Company prior to the payment thereof to such person.

(c) **Funding**. This Plan is unfunded and is maintained by the Company for the purpose of providing deferred compensation to Non-Employee Directors. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Non-Employee Director or his or her beneficiary, or any other person. The Company may authorize the creation of a trust or other arrangement to assist the Company in meeting the obligations created under the Plan. Any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of the Company hereunder shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

(d) **Withholding for Taxes**. No later than the date as of which an amount first becomes includable in the gross income of the Non-Employee Director for Federal income tax purposes with respect to any participation under the Plan, the Non-Employee Director shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount.

(e) **Costs of Administration**. Costs of administration of the Plan will be paid by the Company.

(f) **Benefit Statements**. The Company shall provide statements with respect to Share Accounts and/or Interest-Bearing Accounts to participating Non-Employee Directors on a periodic basis, but not less than annually, in such form and at such time as it deems appropriate.

(g) **Governing Law**. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Wisconsin and applicable federal law.

(h) **Severability.** If any provision of the Plan is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan, such provision shall be stricken as to such jurisdiction or person and the remainder of the Plan shall remain in full force and effect.

(i) **Headings**. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 13. Effective Date of the Plan.

The Plan shall be effective as of August 1, 1993.

Exhibit A

NOTICE OF ELECTION TO DEFER COMPENSATION UNDER MGIC INVESTMENT CORPORATION DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The undersigned, being a Non-Employee Director of MGIC Investment Corporation (the "Company"), hereby elects to participate in the Company's Deferred Compensation Plan for Non-Employee Directors (the "Deferred Compensation Plan") on the terms and conditions set forth in such Plan and pursuant to the specific instructions below:

I. Percentage of Directors' Compensation to be deferred for services rendered during all Plan Year quarters beginning after the date of this Notice. (Please list percentage of fees you wish to defer)

A. ______________ Annual Retainer Fee

B. ______________ Board and Committee Fees

II. Percentage of Compensation deferred to be converted into share units (and credited to Share Account) and/or credited to Interest-Bearing Account. (Please specify percentages)

A. ______________ Share Units (Share Account)

B. ______________Interest-Bearing Account

III. Method by which Share Account and/or Interest-Bearing Account balance(s) shall be paid. (Please check one)

A. |_| One lump-sum, payable on first business day of the calendar month following the applicable Distribution Date

B. |_| In 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 (please circle one number) annual installments commencing on the first business day of the calendar month following the applicable Distribution Date and continuing on the appropriate number of consecutive anniversaries of such date.

IV. Optional designation of a Distribution Date other than death, Disability or termination of service as a member of the Board of Directors of the Company, whether by retirement or otherwise. (Please specify such other Distribution Date if you desire).

____

V. Designation of Beneficiary under the Deferred Compensation Plan, if any.

Name and Address of Beneficiary:

____

____

____

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Deferred Compensation Plan.

Made and executed as of this ____ day of ____________, ____.

____
Director

Exhibit B*

TRANSFER ELECTION UNDER MGIC INVESTMENT CORPORATION
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The undersigned, being a non-employee director of MGIC Investment Corporation (the "Company") who has previously deferred Compensation under that certain Deferred Director Fee Agreement, dated as of ___________, with the Company ("Fee Agreement"), hereby elects to convert the portion of such previously deferred compensation set forth below, into share units, and thereby credit his or her Share Account, under the Company's Deferred Compensation Plan for Non-Employee Directors (the "Deferred Compensation Plan").

I. Percentage of Compensation previously deferred under the Fee Agreement to be converted into share units and credited to my Share Account under the Deferred Compensation Plan. (Please specify percentage)

___________________________ Percent

I understand and agree that all amounts deferred under the Fee Agreement not converted to share units as specified above shall be transferred and credited to my Interest-Bearing Account under the Deferred Compensation Plan.

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Deferred Compensation Plan.

Made and executed as of this______ day of _________________, _____.

____
Director

*This Election is no longer applicable. It was only available for compensation which was deferred by a director before this Plan became effective.

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF NET INCOME PER SHARE
Three and Six Month Periods Ended June 30, 2007 and 2006

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands of dollars, except per share data)			
BASIC EARNINGS PER SHARE				
Average common shares outstanding	81,763	85,668	81,827	86,122
Net income	$ 76,715	$ 149,839	$ 169,078	$ 313,292
Basic earnings per share	$ 0.94	$ 1.75	$ 2.07	$ 3.64
DILUTED EARNINGS PER SHARE				
Adjusted weighted average shares outstanding:				
Average common shares outstanding	81,763	85,668	81,827	86,122
Common stock equivalents	546	591	522	631
Adjusted weighted average diluted shares outstanding	82,309	86,259	82,349	86,753
Net income	$ 76,715	$ 149,839	$ 169,078	$ 313,292
Diluted earnings per share	$ 0.93	$ 1.74	$ 2.05	$ 3.61

Exhibit 31.1

I, Curt S. Culver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2007

/s/ Curt S. Culver
Curt S. Culver
Chief Executive Officer

Exhibit 31.2

I, J. Michael Lauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2007

/s/ J. Michael Lauer
J. Michael Lauer
Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS

The undersigned, Curt S. Culver, Chief Executive Officer of MGIC Investment Corporation (the "Company"), and J. Michael Lauer, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S. C. Section 1350, that to our knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2007

/s/ Curt S. Culver
Curt S. Culver
Chief Executive Officer

/s/ J. Michael Lauer
J. Michael Lauer
Chief Financial Officer

Risk Factors included in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2006, as supplemented by Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended March 31, and June 30, 2007 and through updating of various statistical and other information

Deterioration in home prices in the segment of the market we serve, a downturn in the domestic economy or changes in our mix of business may result in more homeowners defaulting and our losses increasing.

Losses result from events that reduce 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 deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values. Housing values may decline even absent a deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers' perceptions of the potential for future appreciation, restrictions on mortgage credit due to more stringent underwriting standards or other factors.

The mix of business we write also affects the likelihood of losses occurring. In recent years, the percentage of our volume written on a flow basis that includes segments we view as having a higher probability of claim has continued to increase. These segments include loans with LTV ratios over 95% (including loans with 100% LTV ratios), FICO credit scores below 620, limited underwriting, including limited borrower documentation, or total debt-to-income ratios of 38% or higher, as well as loans having combinations of higher risk factors.

Approximately 6.5% of our primary risk in force written through the flow channel, and 72% of our primary risk in force written through the bulk channel, consists of adjustable rate mortgages in which the initial interest rate may be adjusted during the five years after the mortgage closing ("ARMs"). (We classify as fixed rate loans adjustable rate mortgages in which the initial interest rate is fixed during the five years after the mortgage closing.) We believe that during a prolonged period of rising interest rates, claims on ARMs would be substantially higher than for fixed rate loans, although the performance of ARMs has not been tested in such an environment. Moreover, even if interest rates remain unchanged, claims on ARMs with a "teaser rate" (an initial interest rate that does not fully reflect the index which determines subsequent rates) may also be substantially higher because of the increase in the mortgage payment that will occur when the fully indexed rate becomes effective. In addition, we believe the volume of "interest-only" loans (which may also be ARMs) and loans with negative amortization features, such as pay option ARMs, increased in 2005, 2006 and have remained at these levels during the first half of 2007. Because interest-only loans and pay option ARMs are a relatively recent development, we have no data on their historical performance. We believe claim rates on certain of these loans will be substantially higher than on loans without scheduled payment increases that are made to borrowers of comparable credit quality.

The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.

These alternatives to private mortgage insurance include:

- lenders originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ("LTV") ratio and a second mortgage with a 10%, 15% or 20% LTV ratio (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% LTV ratio that has private mortgage insurance,

- lenders and other investors holding mortgages in portfolio and self-insuring,

- investors using credit enhancements other than private mortgage insurance, using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, or accepting credit risk without credit enhancement, and

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

While no data is publicly available, we believe that in recent years piggyback loans have been a significant percentage of mortgage originations in which borrowers make down payments of less than 20%, although their use has declined in 2007. We also believe that their use is primarily by borrowers with higher credit scores. We have a program designed to recapture business lost to these mortgage insurance avoidance products. This program accounted for 10.0% of flow new insurance written in the first half of 2007 and 9.1% and 6.5% of flow new insurance written in 2006 and 2005, respectively.

Competition or changes in our relationships with our customers could reduce our revenues or increase our losses.

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but also with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated or serviced by the lender. As discussed under "The mortgage insurance industry is subject to risk from private litigation and regulatory proceedings" below, we provided information to the New York Insurance Department and the Minnesota Department of Commerce about captive mortgage reinsurance arrangements. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The level of competition within the private mortgage insurance 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, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders.

Our private mortgage insurance competitors include:

- PMI Mortgage Insurance Company,

- Genworth Mortgage Insurance Corporation,

- United Guaranty Residential Insurance Company,

- Radian Guaranty Inc.,
- Republic Mortgage Insurance Company,
- Triad Guaranty Insurance Corporation, and
- CMG Mortgage Insurance Company.

<u>If interest rates decline, house prices appreciate or mortgage insurance cancellation requirements change, the length of time that our policies remain in force could decline and result in declines in our revenue.</u>

In each year, most of our premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force (which is also generally referred to as persistency) is an important determinant of revenues. The factors affecting the length of time our insurance remains 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.

During the 1990s, our year-end persistency ranged from a high of 87.4% at December 31, 1990 to a low of 68.1% at December 31, 1998. At June 30, 2007 persistency was at 72.0%, compared to the record low of 44.9% at September 30, 2003. Over the past several years, refinancing has become easier to accomplish and less costly for many consumers. Hence, even in an interest rate environment favorable to persistency improvement, we do not expect persistency will approach its December 31, 1990 level.

<u>If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could decline which would reduce our revenues.</u>

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 can affect whether refinance loans have LTV ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

In general, the majority of the underwriting profit (premium revenue minus losses) that a book of mortgage insurance generates occurs in the early years of the book, with the largest portion of the underwriting profit realized in the first year. Subsequent years of a book generally result in modest underwriting profit or underwriting losses. This pattern of results occurs because relatively few of the claims that a book will ultimately experience occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as persistency decreases due to loan prepayments, and higher losses.

If all other things were equal, a decline in new insurance written in a year that followed a number of years of higher volume could result in a lower contribution to the mortgage insurer's overall results. This effect may occur because the older books will be experiencing declines in revenue and increases in losses with a lower amount of underwriting profit on the new book available to offset these results.

Whether such a lower contribution would in fact occur depends in part on the extent of the volume decline. Even with a substantial decline in volume, there may be offsetting factors that could increase the contribution in the current year. These offsetting factors include higher persistency and a mix of business with higher average premiums, which could have the effect of increasing revenues, and improvements in the economy, which could have the effect of reducing losses. In addition, the effect on the insurer's overall results from such a lower contribution may be offset by decreases in the mortgage insurer's expenses that are unrelated to claim or default activity, including those related to lower volume.

<u>Changes in the business practices of Fannie Mae and Freddie Mac could reduce our revenues or increase our losses.</u>

The business practices of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), each of which is a government sponsored entity ("GSE"), affect the entire relationship between them and mortgage insurers and include:

- the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,
- whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,

- whether Fannie Mae or Freddie Mac will give mortgage lenders an incentive, such as a reduced guaranty fee, to select a mortgage insurer that has a "AAA" claims-paying ability rating to benefit from the lower capital requirements for Fannie Mae and Freddie Mac when a mortgage is insured by a company with that rating,

- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby affect the quality of the risk insured by the mortgage insurer and 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.

<u>The mortgage insurance industry is subject to the risk of private litigation and regulatory proceedings.</u>

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While we are not a defendant in any of these cases, there can be no assurance that MGIC will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department (the "NYID"), we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the NYID requested MGIC to review its premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the NYID that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce (the "MDC"), which regulates insurance, we provided the MDC with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the MDC. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development ("HUD") as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While we believe our captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

<u>The Internal Revenue Service has proposed significant adjustments to our taxable income for 2000 through 2004.</u>

The Internal Revenue Service ("IRS") has been conducting an examination of our federal income tax returns for taxable years 2000 though 2004. On June 1, 2007, as a result of this examination, we received a Revenue Agent Report ("RAR"). The adjustments reported on the RAR would substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy related penalties, plus applicable interest. We have agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining unagreed issue relates to our treatment of the flow through income and loss from a portfolio of investments in the residual interests of Real Estate Mortgage Investment Conduits ("REMICs"). This portfolio has been managed and maintained during years prior to, during and subsequent to the examination period. The IRS has indicated that it does not believe that, for various reasons, that we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, the Company made a payment on account of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. We believe, after discussions with outside counsel about the issues raised in the RAR and the procedures for resolution of the disputed adjustments, that an adequate provision for income taxes has been made for potential liabilities that may result from these notices. If the outcome of this matter results in payments that differ materially from our expectations, it could have a material impact on our effective tax rate, results of operations and cash flows.

<u>Net premiums written could be adversely affected if the Department of Housing and Urban Development reproposes and adopts a regulation under the Real Estate Settlement Procedures Act that is equivalent to a proposed regulation that was withdrawn in 2004.</u>

HUD regulations under RESPA prohibit paying lenders for the referral of settlement services, including mortgage insurance, and prohibit lenders from receiving such payments. In July 2002, HUD proposed a regulation that would exclude from these anti-referral fee provisions settlement services included in a package of settlement services offered to a borrower at a guaranteed price. HUD withdrew this proposed regulation in March 2004. Under the proposed regulation, if mortgage insurance were required on a loan, the package must include any mortgage insurance premium paid at settlement. Although certain state insurance regulations prohibit an insurer's payment of referral fees, had this regulation been adopted in this form, our revenues could have been adversely affected to the extent that lenders offered such packages and received value from us in excess of what they could have received were the anti-referral fee provisions of RESPA to apply and if such state regulations were not applied to prohibit such payments.

<u>We could be adversely affected if personal information on consumers that we maintain is improperly disclosed.</u>

As part of our business, we maintain large amounts of personal information on consumers. While we believe we have appropriate information security policies and systems to prevent unauthorized disclosure, there can be no assurance that unauthorized disclosure, either through the actions of third parties or employees, will not occur. Unauthorized disclosure could adversely affect our reputation and expose us to material claims for damages.

The implementation of the Basel II capital accord may discourage the use of mortgage insurance.

In 1988, the Basel Committee on Banking Supervision (BCBS) developed the Basel Capital Accord (the Basel I), which set out international benchmarks for assessing banks' capital adequacy requirements. In June 2005, the BCBS issued an update to Basel I (as revised in November 2005, Basel II). Basel II, which is scheduled to become effective in the United States and many other countries in 2008, affects the capital treatment provided to mortgage insurance by domestic and international banks in both their origination and securitization activities.

The Basel II provisions related to residential mortgages and mortgage insurance may provide incentives to certain of our bank customers not to insure mortgages having a lower risk of claim and to insure mortgages having a higher risk of claim. The Basel II provisions may also alter the competitive positions and financial performance of mortgage insurers in other ways, including reducing our ability to successfully establish or operate our planned international operations.

Our international operations will subject us to numerous risks.

We have committed significant resources to begin international operations, initially in Australia, where we started to write business June 2007. We plan to expand our international activities to other countries. Accordingly, in addition to the general economic and insurance business-related factors discussed above, we are subject to a number of risks associated with our international business activities, including:

- risks of war and civil disturbances or other events that may limit or disrupt markets;
- dependence on regulatory and third-party approvals;
- changes in rating or outlooks assigned to our foreign subsidiaries by rating agencies;
- challenges in attracting and retaining key foreign-based employees, customers and business partners in international markets;
- foreign governments' monetary policies and regulatory requirements;
- economic downturns in targeted foreign mortgage origination markets;
- interest-rate volatility in a variety of countries;
- the burdens of complying with a wide variety of foreign regulations and laws, some of which may be materially different than the regulatory and statutory requirements we face in our domestic business, and which may change unexpectedly;
- potentially adverse tax consequences;
- restrictions on the repatriation of earnings;
- foreign currency exchange rate fluctuations; and
- the need to develop and market products appropriate to the various foreign markets.

Any one or more of the risks listed above could limit or prohibit us from developing our international operations profitably. In addition, we may not be able to effectively manage new operations or successfully integrate them into our existing operations.

Our proposed merger with Radian could adversely affect us.

On February 6, 2007, we entered into a definitive agreement under which Radian Group, one of our mortgage insurance competitors, would merge into us. Completion of the merger is subject to various conditions, including insurance department regulatory approvals and the absence of circumstances that would have a material adverse effect on Radian. On August 7, 2007 we advised the New York Insurance Department that our management had made a preliminary assessment that a material adverse effect on Radian had occurred as a result of the impairment of Radian's C-BASS investment. Radian disagrees with our management's assessment.

We are subject to additional risks such as the following with respect to the merger:

- because the current price of our common stock may reflect a market assumption that we will complete the merger, a failure to complete the combination could result in a negative perception of us and a decline in the price of our common stock;
- we will have certain costs relating to the merger that will increase our expenses;
- the merger may distract us from day-to-day operations and require substantial commitments of time and resources by our personnel, which they otherwise could have devoted to other opportunities that could have been beneficial to us; and
- we expect some lenders will reallocate mortgage insurance business to competitors of MGIC and Radian as a result of the merger.

In addition, if the merger is completed, we may not be able to efficiently integrate Radian's businesses with ours or we may incur substantial costs and delays in integrating Radian's businesses with ours. Radian's business includes financial guaranty insurance, a business in which we have not previously engaged and which has characteristics that are different from mortgage guaranty insurance.

Certain rating agencies rate the financial strength rating of Radian's mortgage insurance operations Aa3 (or its equivalent). We expect that upon completion of the merger these rating agencies will downgrade our financial strength rating so that it is the same as Radian's. We do not expect such a downgrade to affect our business. However, our ability to continue to write new mortgage insurance business depends on our maintaining a financial strength rating of at least Aa3 (or its equivalent). Therefore, any further downgrade would have a material adverse affect on us.

Our income from joint ventures could be adversely affected by credit losses, insufficient liquidity or competition affecting those businesses.

C-BASS: Until liquidity problems during the third quarter of 2007 forced it to materially curtail its operations, Credit-Based Asset Servicing and Securitization LLC ("C-BASS") was principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. The discussion of C-BASS in the remainder of this Risk Factor generally addresses C-BASS's historical activities as conducted through the end of the second quarter of 2007. The scope of C-BASS's future operations and any value that we may realize from our investment in C-BASS will be determined by C-BASS's success in recapitalizing, either through consensual agreements with its creditors or under the Bankruptcy Code.

C-BASS is particularly exposed to funding risk and to credit risk through ownership of the higher risk classes of mortgage backed securities from its own securitizations and those of other issuers. In addition, C-BASS's results are sensitive to its ability to purchase mortgage loans and securities on terms that it projects will meet its return targets. C-BASS's mortgage purchases in recent years have primarily been of subprime mortgages, which bear a higher risk of default. The 2006 vintage of subprime mortgages has performed worse than recent prior vintages at a comparable period of seasoning. Credit losses are affected by housing prices. A higher house price at default than at loan origination generally mitigates credit losses while a lower house price at default generally increases losses. Over the last several years, in certain regions home prices have experienced rates of increase greater than historical norms and greater than growth in median incomes. During the period 2003 to the fourth quarter of 2006, according to the Office of Federal Housing Oversight, home prices nationally increased 37%. Since the fourth quarter of 2006, according to published reports, home prices have declined in certain areas and have experienced lower rates of appreciation in others.

With respect to liquidity, the substantial majority of C-BASS's on-balance sheet financing for its mortgage and securities portfolio is dependent on the value of the collateral that secures this debt. C-BASS maintains substantial liquidity to cover margin calls in the event of substantial declines in the value of its mortgages and securities. While C-BASS's policies governing the management of capital at risk and liquidity were intended to provide sufficient liquidity to cover an instantaneous and substantial decline in value, such policies were not sufficient to provide the liquidity C-BASS required as a result of the unprecedented dislocations in the subprime market that occurred beginning in approximately mid-July 2007. C-BASS is currently unable to meet its obligations to lenders who have required additional margin and as a result is in default with respect to its debt obligations. Many of C-BASS's competitors are larger and have a lower cost of capital.

At the end of each financial statement period, the carrying values of C-BASS's mortgage securities are adjusted to fair value as estimated by C-BASS's management. Increases in credit spreads between periods will generally result in declines in fair value that are reflected in C-BASS's results of operations as unrealized losses. Increases in spreads can also result in unrealized losses in C-BASS's whole loans, which are carried at the lower of cost or fair value as estimated by C-BASS's management.

The interest expense on C-BASS's borrowings is primarily tied to short-term rates such as LIBOR. In a period of rising interest rates, the interest expense could increase in different amounts and at different rates and times than the interest that C-BASS earns on the related assets, which could negatively impact C-BASS's earnings.

Sherman: Sherman Financial Group LLC ("Sherman") is engaged in the business of purchasing and servicing delinquent consumer assets, and in originating and servicing subprime credit card receivables. Among other factors. Sherman's results are sensitive to its ability to purchase receivable portfolios on terms that it projects will meet its return targets. While the volume of charged-off consumer receivables and the portion of these receivables that have been sold to third parties such as Sherman has grown in recent years, there is an increasing amount of competition to purchase such portfolios, including from new entrants to the industry, which has resulted in increases in the prices at which portfolios can be purchased.