UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) January 23, 2012

MGIC Investment Corporation

(Exact Name of Registrant as Specified in Its Charter)

Wisconsin
(State or Other Jurisdiction of Incorporation)

1-10816	39-1486475
(Commission File Number)	(IRS Employer Identification No.)
MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, WI	53202
(Address of Principal Executive Offices)	(Zip Code)

(414) 347-6480
(Registrant’s Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

<u>Item 2.02</u>. <u>Results of Operations and Financial Condition</u>.

The Company issued a press release on January 24, 2012, announcing its results of operations for the year ended December 31, 2011 and certain other information. The press release is furnished as Exhibit 99.1.

<u>Item 8.01</u>. <u>Other Events</u>.

Introduction

In October 2011, MGIC Investment Corporation ("Investment") outlined its plan to seek to continue the strategy it had previously implemented to enable it to write new business on a nationwide basis in the event the capital of its principal insurance subsidiary, Mortgage Guaranty Insurance Corporation ("MGIC"), did not meet regulatory requirements. In connection with this plan, in December 2011, Investment contributed $200 million to increase the statutory capital of MGIC.

There are 16 jurisdictions (including Wisconsin) that have specific capital requirements applicable to mortgage insurers, while the remaining jurisdictions in which MGIC does business do not have such requirements. Under the strategy, which has been in place for about two years, MGIC's subsidiary, MGIC Indemnity Corporation ("MIC"), would write new business in those jurisdictions in which MGIC's capital did not meet regulatory requirements (a "Capital Deficiency") after giving effect to any waivers of such requirements and MGIC would continue to write new business in the remaining jurisdictions.

The strategy includes a waiver from the Office of the Commissioner of Insurance for the State of Wisconsin ("OCI") of specific capital requirements for MGIC. A waiver that was included in an OCI Order issued in 2009 (the "Prior Order") expired on December 31, 2011, and on January 23, 2012, the OCI issued an Order that includes a new waiver through December 31, 2013 (the "New Order," described below) and requires a $200 million capital contribution from MGIC to MIC by January 31, 2012.

The strategy also includes separate approvals by Fannie Mae and Freddie Mac of MIC as an eligible insurer for each GSE in specified jurisdictions if MGIC has a Capital Deficiency after giving effect to any waiver. On January 23, 2012, Fannie Mae agreed to extend through December 31, 2013 (the "Fannie Mae Extension," described below), the approval it had given in late 2009 (which did not permit any further contribution to MIC beyond the initial $200 million that was contributed in 2009) and to allow the additional $200 million contribution from MGIC to MIC that is provided for in the New Order. Freddie Mac's approval, given in early 2010 and scheduled to expire December 31, 2012, also precluded any contribution to MIC beyond the initial $200 million. On January 23, 2012, Freddie Mac modified its approval, among other things, to allow the additional $200 million contribution from MGIC to MIC (the "Freddie Mac Approval," described below).

Giving effect to the $200 million contribution that Investment made to increase the statutory capital of MGIC in December 2011, MGIC did not have a Capital Deficiency at December 31, 2011 and we have not needed to use MIC to write new business in any jurisdiction. (MGIC's capital will remain unchanged by the proposed contribution of $200 million by MGIC to MIC.) In addition, loans insured by MGIC continue to be eligible to be sold to Fannie Mae and Freddie Mac. However, we expect MGIC to have a Capital Deficiency in the second half of this year.

Waiver Issued by the OCI

On January 23, 2012, the OCI issued the New Order, superseding the Prior Order. The New Order waives, until December 31, 2013, the requirement that MGIC maintain a specific level of minimum regulatory capital to write new business (this portion of the New Order is referred to as the "Capital Provision"). The Capital Provision provides, as did the Prior Order, that MGIC can write new business as long as it maintains regulatory capital that the OCI determines is reasonably in excess of a level that would constitute a financially hazardous condition. Under the New Order, MGIC is to contribute $200 million to MIC on or before January 31, 2012.

The New Order requires Investment, beginning January 1, 2012 and continuing through the earlier of December 31, 2013 and the termination of the New Order (the "Covered Period"), to make equity contributions to MGIC as may be necessary so that "Liquid Assets" are at least $1 billion (this portion of the New Order is referred to as the "Keepwell Provision"). "Liquid Assets" are the sum of (i) the aggregate cash and cash equivalents, (ii) fair market value of investments and (iii) assets held in trusts supporting the obligations of captive mortgage reinsurers to MGIC as well as those held by certain other subsidiaries of Investment, excluding MIC and subsidiaries of MIC. As of December 31, 2011, "Liquid Assets" were approximately $6.4 billion. Although we do not expect that MGIC's Liquid Assets will fall below $1 billion during the Covered Period, we do expect the amount of Liquid Assets to continue to decline materially after December 31, 2011 and through the end of the Covered Period (and thereafter) as MGIC's claim payments and other uses of cash continue to exceed cash generated from operations.

The OCI, in its sole discretion, may terminate, extend or modify the New Order, including the Capital Provision at any time. Any modification or extension of the Keepwell Provision requires the written consent of Investment. If the OCI modifies or terminates the Capital Provision, depending on the circumstances, MGIC could be prevented from writing new business in all jurisdictions. If MGIC were prevented from writing new business in all jurisdictions, its insurance operations would be in run-off until MGIC either met the minimum regulatory capital requirements or the OCI again allowed it to write new business.

Extension of Fannie Mae Approval of MIC

On January 23, 2012, Investment, MGIC and MIC entered into the Fannie Mae Extension, whereby Fannie Mae agreed to extend, through December 31, 2013, its approval of MIC as an eligible mortgage insurer for loans sold to Fannie Mae. The Fannie Mae Extension includes the following terms and conditions:

1. Investment and its affiliates shall have contributed $200 million to MGIC within 45 days preceding the date of the Fannie Mae Extension (which has been done).

2. MGIC shall contribute $200 million to MIC on or before January 31, 2012. Any additional capital contributions to MIC will require Fannie Mae's approval.

3. MIC shall remain a wholly-owned, direct subsidiary of MGIC.

4. OCI's New Order shall remain in full force and effect. If the Keepwell Provision is amended, Fannie Mae may terminate, in its sole discretion, the Fannie Mae Extension.

5. MGIC shall request that the OCI not impose a capital requirement for MIC that is more restrictive than the minimum capital requirements applicable to Wisconsin mortgage insurers generally.

6. MGIC shall seek a waiver from any state that has a capital requirement and that permits a waiver if MGIC anticipates that its capital will be insufficient to meet such state's capital requirement.

7. If (a) MGIC does not obtain a waiver necessary to continue to write business in a state, or (b) it receives such a waiver, but the waiver conditions differ substantively from those imposed by the OCI and MGIC deems such different conditions burdensome, then MIC is approved by Fannie Mae to write business in such state until MGIC can again write business there.

8. The following actions require Fannie Mae's prior written consent:

    a. any dividends by MGIC or MIC, except consent is not required for dividends (i) to Investment of up to $100 million to pay Investment's debt obligations outstanding on October 14, 2009 at maturity, or, if purchased at a specified discount, prior to maturity, and (ii) to affiliated reinsurance counterparties as reasonably necessary in the ordinary course of business for the purpose of complying with specified reinsurance requirements;

    b. transfer of any assets or securities owned by MGIC or MIC, except for:

        i. the permitted dividends described in (a);

        ii. transfers in the ordinary course of business of MGIC and MIC; and

        iii. other transfers to non-insurance affiliates that do not exceed a specified amount.

    c. new or modifications to existing reinsurance or capital support agreement with affiliates;

    d. shifting the writing of new mortgage insurance business to another affiliate;

    e. modifying the current expense sharing or tax sharing agreements; and

    f. any risk novation or commutation transaction by MIC.

In addition, except as specifically noted in the Fannie Mae Extension, the Fannie Mae Extension is in addition to, and does not replace Fannie Mae's other rules and regulations applicable to mortgage insurers.

Modification of Freddie Mac Approval of MIC

On January 23, 2012, MGIC and MIC received the Freddie Mac Approval, whereby Freddie Mac agreed to modify its approval of MIC as an eligible mortgage insurer for loans sold to Freddie Mac. The approval, which expires on December 31, 2012, allows the $200 million contribution from MGIC to MIC that is provided for in the New Order and the Fannie Mae Extension. The Freddie Mac Approval also includes the following terms and conditions:

1. MIC may write business only in those jurisdictions where MGIC does not meet the minimum capital requirements and does not obtain a waiver or modification of the requirements. Freddie Mac anticipates that MGIC will obtain waivers of the minimum capital requirements of most jurisdictions that have such requirements. Therefore, as of the date of the Freddie Mac Approval, approval of MIC as an eligible mortgage insurer is only given for New York, Kansas, Kentucky, Idaho and Puerto Rico.

2. OCI's New Order shall remain in full force and effect and Investment, MGIC and MIC must maintain compliance with all terms and conditions of the New Order.

3. MGIC shall contribute $200 million to MIC on or before January 31, 2012.

4. MGIC must take all actions necessary to comply with all conditions imposed by a jurisdiction that are required to obtain and to maintain a waiver of applicable regulatory capital requirements.

5. MIC must provide MGIC access to the capital of MIC in an amount necessary for MGIC to maintain sufficient liquidity to satisfy its obligations under insurance policies issued by MGIC.

6. MIC shall remain a wholly-owned, direct subsidiary of MGIC.

7. MGIC shall seek a waiver, on or before February 29, 2012, from any state that has a capital requirement, other than New York, Kansas, Kentucky, Idaho and Puerto Rico. Freddie Mac's approval of MIC as an eligible insurer is subject to revocation if substantially all of the waivers in the remaining jurisdictions where such waivers are required have not been obtained prior to MGIC's expected breach of the minimum capital requirements. MGIC must continue to pursue diligently and in good faith and take all reasonable actions to (i) obtain a waiver of the minimum capital requirements in each jurisdiction that has a minimum capital requirement and (ii) to maintain such waiver once obtained.

8. While MIC is writing new business under the Freddie Mac approval, MIC may not exceed a risk-to-capital ratio of 20:1. MGIC may not contribute capital to MIC in excess of the $200 million expected to be contributed in January 2012, unless the additional contribution is specifically approved by Freddie Mac in writing.

9. Neither MGIC nor MIC may declare, pay or otherwise make any provision for the payment of any dividend, return of capital, capital distribution, or any other such arrangement, without Freddie Mac's specific written approval.

10. Expenses paid by MIC to MGIC may not exceed the expenses incurred by MGIC for management and administrative services performed by MGIC for MIC and allocated to MIC in accordance with established statutory accounting standards and procedures for determining an allocation between affiliated entities. The expense ratio of MIC cannot exceed 20% in any calendar year.

11. MIC must cease issuing commitments of insurance on December 31, 2012. If permitted by a jurisdiction, MGIC must (i) subsume all risk written by and the related premium payable to MIC in any jurisdiction that waives the minimum capital requirement after MIC has begun writing business in the jurisdiction and MGIC must repatriate the capital supporting that risk or (ii) enter into a 100% quota share reinsurance transaction with MIC by the end of the quarter following the quarter in which MGIC again became eligible to write business in the jurisdiction.

12. If permitted by a jurisdiction, once MGIC has maintained the applicable minimum capital requirements in a jurisdiction for three consecutive quarters, all risk of MIC written in such jurisdiction must be subsumed by and capital supporting that risk repatriated to MGIC by the end of the following quarter, or MGIC must enter into a 100% quota share reinsurance transaction with MIC by the end of the quarter following such third quarter.

13. No new reinsurance agreements among affiliates may be entered into and no amendments, modifications or changes to existing reinsurance agreements among affiliates will be made by MGIC or MIC prior to the expiration of the approval of MIC as an eligible insurer.

14. In the event that either MGIC or MIC becomes subject to an adverse action by Freddie Mac, both MGIC and MIC will be subject to the same adverse action, in Freddie Mac's discretion.

15. Except as provided in the Freddie Mac Approval or as otherwise approved by Freddie Mac, both MGIC and MIC must comply with Freddie Mac's Private Mortgage Insurer Eligibility Requirements.

16. Freddie Mac may modify the terms and conditions of its approval at any time without notice and may withdraw its approval of MIC as an eligible insurer at any time in its sole discretion.

Other

The foregoing descriptions of the New Order, the Fannie Mae Extension and the Freddie Mac Approval are intended only as summaries and each is qualified completely by the text of the actual instruments, which are filed as Exhibits 99.2, 99.3 and 99.4, respectively. Investment does not believe that any of these instruments is a material agreement within the meaning of Item 1.01 of Form 8-K (a "1.01 Agreement") or an Amendment of a Material Agreement within the meaning of Item 1.02 of Form 8-K (a "1.02 Agreement"). In the event it is determined, however, that any of such instruments is a 1.01 Agreement and/or a 1.02 Agreement, the text of this Item 8.01 describing the particular instrument and Exhibit hereto filing the same are deemed filed under Item 1.01 and/or 1.02 of this Form 8-K, as applicable.

Safe Harbor Statement:

This Current Report on Form 8-K contains forward looking statements. Forward looking statements consist of statements which relate to matters other than historical fact, including matters that inherently refer to future events. Among others, statements that include words such as we "believe," "anticipate" or "expect," words such as we or another party "will" or words of similar import, are forward looking statements. 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 in this Current Report on Form 8-K even though these statements may be affected by events or circumstances occurring after these statements were made. No investor should rely on such statements being current at any time other than the time at which this Form 8-K was filed with the Securities and Exchange Commission. Factors that could cause actual results to differ materially include those attached hereto as Exhibit 99.5. Those risk factors should be reviewed in connection with the press release attached hereto as Exhibit 99.1 and our periodic reports to the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following Exhibits are being furnished or filed herewith:

(99.1)	Press Release dated January 24, 2012.*
(99.2)	Order of the Office of the Commissioner of Insurance for the State of Wisconsin dated as of January 23, 2012.
(99.3)	Letter Agreement dated as of January 23, 2012, by and between MGIC Investment Corporation, Mortgage Guaranty Insurance Corporation and MGIC Indemnity Corporation and Federal National Mortgage Association (including exhibits thereto and agreements incorporated therein by reference).
(99.4)	Letter dated January 23, 2012, by Federal Home Loan Mortgage Corporation to MGIC Indemnity Corporation and Mortgage Guaranty Insurance Corporation.
(99.5)	Company Risk Factors.

* Pursuant to General Instruction B.2 to Form 8-K, the Company's January 24, 2012 press release is furnished as Exhibit 99.1 and is not filed.

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 hereunto duly authorized.

MGIC INVESTMENT CORPORATION

Date: January 24, 2012

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

Exhibit 99.1

News Release

MGIC Investment Corporation

New York Stock Exchange Common Stock Symbol – MTG

MGIC Plaza, P.O. Box 488, Milwaukee, Wisconsin 53201

MGIC
Homeownership Today

Investor Contact: Michael J. Zimmerman, Investor Relations, (414) 347-6596, mike_zimmerman@mgic.com
Media Contact: Katie Monfre, Corporate Communications, (414) 347-2650, katie_monfre@mgic.com

MGIC Investment Corporation
Reports Fourth Quarter 2011 Results

MILWAUKEE ***(January 24, 2012)*** ¾ MGIC Investment Corporation (NYSE:MTG) today reported a net loss for the quarter ended December 31, 2011 of $135.3 million, compared with a net loss of $186.7 million for the same quarter a year ago. Diluted loss per share was $0.67 for the quarter ending December 31, 2011, compared to diluted loss per share of $0.93 for the same quarter a year ago. The net loss for the full year ending December 31, 2011 was $485.9 million, compared to a net loss of $363.7 million for the full year 2010. For the full year 2011, diluted loss per share was $2.42 compared to a diluted loss per share of $2.06 for the full year 2010.

Total revenues for the fourth quarter were $447.0 million, compared with $361.1 million in the fourth quarter last year. Net premiums written for the quarter were $263.8 million, compared with $271.4 million for the same period last year. Net premiums written for the full year 2011 were $1.064 billion, compared with $1.102 billion for the full year 2010. Included in other revenue, for the fourth quarter of 2011, was a gain of $24.5 million that resulted from the repurchase of $74.0 million in par value of long term debt due in November 2015. Realized gains in the fourth quarter of 2011 were $104.5 million compared to $13.4 million for the same period last year.

Curt S. Culver, CEO and Chairman of the Board of Mortgage Guaranty Insurance Corporation (“MGIC”) and MTG, said that he is pleased to announce that the company has successfully completed its discussions with the Office of the Commissioner of Insurance for the State of Wisconsin ("OCI"), Fannie Mae and Freddie Mac to receive the necessary waivers and approvals that allow for the continuation of the company’s strategy to write new business through a combination of MGIC and, as it is needed, its wholly owned subsidiary, MGIC Indemnity Corporation (“MIC”). Culver added that these actions further enable the company to support its policyholders and the US housing market by continuing to write high quality, profitable new insurance on a nationwide basis.

New insurance written in the fourth quarter was $4.2 billion, compared to $4.2 billion in the fourth quarter of 2010. In addition, the Home Affordable Refinance Program (HARP) accounted for $812.6 million of insurance that is not included in the new insurance written total for the quarter due to these transactions being treated as a modification of the coverage on existing insurance in force. New insurance written for full year 2011 was $14.2 billion compared to $12.3 billion for the full year 2010. HARP activity for 2011 totaled $2.9 billion compared to $3.2 billion 2010.

As of December 31, 2011, MGIC's primary insurance in force was $172.9 billion, compared with $191.3 billion at December 31, 2010, and $212.2 billion at December 31, 2009. Persistency, or the percentage of insurance remaining in force from one year prior, was 82.9 percent at December 31, 2011, compared with 84.4 percent at December 31, 2010, and 84.7 percent at December 31, 2009. The fair value of MGIC Investment Corporation's investment portfolio, cash and cash equivalents was $6.8 billion at December 31, 2011 compared with $8.8 billion at December 31, 2010, and $8.4 billion at December 31, 2009.

At December 31, 2011, the percentage of loans that were delinquent, excluding bulk loans, was 13.79 percent, compared with 14.94 percent at December 31, 2010, and 15.46 percent at December 31, 2009. Including bulk loans, the percentage of loans that were delinquent at December 31, 2011 was 16.11 percent, compared to 17.48 percent at December 31, 2010, and 18.41 percent at December 31, 2009.

Losses incurred in the fourth quarter were $482.1 million up from $448.4 million reported for the same period last year due to an increase in the estimated claim rate on primary defaults that occurred in prior periods. For the full year 2011, losses incurred were $1.715 billion compared to $1.608 billion in 2010. Net underwriting and other expenses were $50.7 million in the fourth quarter as compared to $53.5 million reported for the same period last year. For the full year 2011 net underwriting and other expenses were $214.8 million compared to $225.1 million in 2010.

Wall Street Bulk transactions, as of December 31, 2011, included approximately 78,000 loans with insurance in force of approximately $12.2 billion and risk in force of approximately $3.7 billion. The $134.8 million premium deficiency reserve as of December 31, 2011 reflects the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves. Within the premium deficiency calculation, our present value of expected future paid losses and expenses, net of expected future premium, was $961.0 million, offset by already established loss reserves of $826.2 million.

Company expectations for 2012

- New insurance written to be modestly higher than 2011
- Total paid claims to be lower than 2011
- Primary delinquent inventory will continue to decline
- New delinquency notices are expected to continue to decline in 2012, on a year over year basis
- Cure rates will slowly improve throughout the year
- Home prices are expected to be flat
- Statutory capital will decline

Conference Call and Webcast Details

MGIC Investment Corporation will hold a conference call today, January 24, 2012 at 10 a.m. ET to allow securities analysts and shareholders the opportunity to hear management discuss the company’s quarterly results. The conference call number is 1-866-261-7280. The call is being webcast and can be accessed at the company's website at http://mtg.mgic.com. The webcast is also being distributed over CCBN’s Investor Distribution Network to both institutional and individual investors. Investors can listen to the call through CCBN’s individual investor center at www.companyboardroom.com or by visiting any of the investor sites in CCBN’s Individual Investor Network. The webcast will be available for replay on the company’s website through February 24, 2012 under Investor Information.

About MGIC

MGIC (www.mgic.com), the principal subsidiary of MGIC Investment Corporation, is the nation's largest private mortgage insurer based on $172.9 billion primary insurance in force covering 1.1 million mortgages as of December 31, 2011. MGIC serves lenders throughout the United States, Puerto Rico, and other locations helping families achieve homeownership sooner by making affordable low-down-payment mortgages a reality.

This press release, which includes certain additional statistical and other information, including non-GAAP financial information and a supplement that contains various portfolio statistics are both available on the Company's website at http://mtg.mgic.com under Investor Information, Presentations/Webcasts.

From time to time MGIC Investment Corporation releases important information via postings on its corporate website without making any other disclosure and intends to continue to do so in the future. Investors and other interested parties are encouraged to enroll to receive automatic email alerts and Really Simple Syndication (RSS) feeds regarding new postings. Enrollment information can be found at http://mtg.mgic.com under Investor Information**.**

Safe Harbor Statement

Forward Looking Statements and Risk Factors:

As used below, “we,” “our” and “us” refer to MGIC Investment Corporation’s consolidated operations or to MGIC Investment Corporation, as the context requires, and “MGIC” refers to Mortgage Guaranty Insurance Corporation. Our actual results could be affected by the risk factors below. These risk factors should be reviewed in connection with this press release and our periodic reports to the Securities and Exchange Commission. These risk 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, including matters that inherently refer to future events. Among others, statements that include words such as “believe,” “anticipate,” “will” or “expect,” or words of similar import, are forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No investor should rely on the fact that such statements are current at any time other than the time at which this press release was issued.

Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.

The insurance laws or regulations of 16 jurisdictions, including Wisconsin, our domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to the risk in force (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the “Capital Requirements.” While formulations of minimum capital may vary in certain jurisdictions, the most common measure applied allows for a maximum permitted risk-to-capital ratio of 25 to 1. A risk-to-capital ratio will increase if the percentage decrease in capital exceeds the percentage decrease in insured risk. Therefore, as capital decreases, the same dollar decrease in capital will cause a greater percentage decrease in capital and a greater increase in the risk-to-capital ratio. Wisconsin does not regulate capital by using a risk-to-capital measure but instead requires us to maintain a minimum policyholder position (“MPP”). The “policyholder position” of a mortgage insurer is its net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums.

In December 2011, our holding company, MGIC Investment Corporation, contributed $200 million to increase the statutory capital of MGIC. (As of December 31, 2011, there was $487 million of cash and investments at our holding company). At December 31, 2011, MGIC's preliminary risk-to-capital ratio was 20.3 to 1 and its preliminary policyholder position exceeded the MPP by $185 million. We currently expect MGIC's risk-to-capital to exceed 25 to 1 in the second half of 2012. At December 31, 2011, the preliminary risk-to-capital ratio of our combined insurance operations (which includes reinsurance affiliates) was 22.2 to 1. A higher risk-to-capital ratio on a combined basis may indicate that, in order for MGIC to continue to utilize reinsurance arrangements with its subsidiaries or subsidiaries of our holding company, additional capital contributions to the reinsurance affiliates could be needed. These reinsurance arrangements permit MGIC to write insurance with a higher coverage percentage than it could on its own under certain state-specific requirements.

The National Association of Insurance Commissioners ("NAIC") adopted Statement of Statutory Accounting Principles No. 101 ("SSAP No. 101") effective January 1, 2012. As MGIC approaches a risk-to-capital ratio of 25 to 1, under SSAP No. 101, the benefit to statutory capital allowed for deferred tax assets will be eliminated. Effectively, MGIC's risk-to-capital ratio, computed while excluding any deferred tax assets from the capital base, must be under 25 to 1 in order to include such deferred tax assets in the amount of available statutory capital. Any exclusion of these assets would negatively impact our statutory capital for purposes of calculating compliance with the Capital Requirements. At December 31, 2011, deferred tax assets of $142 million were included in MGIC's statutory capital. For more information about factors that could negatively impact our compliance with Capital Requirements, which depending on the severity of adverse outcomes could result in material non-compliance with Capital Requirements, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future," "— We have reported net losses for the last five years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability" and "— The settlement agreement we reached with the Internal Revenue Service, relating to significant proposed adjustments to our taxable income for 2000 through 2007, may not be finalized." As discussed below, in accordance with Accounting Standards Codification ("ASC") 450-20, we have not accrued an estimated loss in our financial statements to reflect possible adverse developments in litigation or other dispute resolution proceedings. An accrual, if one was required and depending on the amount, could result in material non-compliance with Capital Requirements.

In December 2009, the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") issued an order waiving, until December 31, 2011, its Capital Requirements. On January 23, 2012, the OCI issued an order (the "New Order") waiving, until December 31, 2013, its Capital Requirements. In place of the Capital Requirements, the New Order provides, as did the prior order, that MGIC can write new business as long as it maintains regulatory capital that the OCI determines is reasonably in excess of a level that would constitute a financially hazardous condition. Under the New Order, MGIC is to contribute $200 million to MGIC Indemnity Corporation ("MIC"), a direct subsidiary of MGIC, on or before January 31, 2012, as part of the plan discussed below to write new mortgage insurance in MIC in certain jurisdictions.

The New Order requires MGIC Investment Corporation, beginning January 1, 2012 and continuing through the earlier of December 31, 2013 and the termination of the New Order (the "Covered Period"), to make cash equity contributions to MGIC as may be necessary so that its "Liquid Assets" are at least $1 billion (this portion of the New Order is referred to as the "Keepwell Provision"). "Liquid Assets" are the sum of (i) the aggregate cash and cash equivalents, (ii) fair market value of investments and (iii) assets held in trusts supporting the obligations of captive mortgage reinsurers to MGIC as well as those held in certain of our subsidiaries, excluding MIC and its reinsurance affiliates. As of December 31, 2011, "Liquid Assets" were approximately $6.4 billion. Although we do not expect that MGIC's Liquid Assets will fall below $1 billion during the Covered Period, we do expect the amount of Liquid Assets to continue to decline materially after December 31, 2011 and through the end of the Covered Period as MGIC's claim payments and other uses of cash continue to exceed cash generated from operations. For more information about factors that could negatively impact MGIC's Liquid Assets, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future," "— We have reported net losses for the last five years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability" and "— The settlement agreement we reached with the Internal Revenue Service, relating to significant proposed adjustments to our taxable income for 2000 through 2007, may not be finalized."

MGIC previously applied for waivers in all jurisdictions besides Wisconsin that have Capital Requirements and received waivers from some of them. Most of the waivers that MGIC received expired December 31, 2011. We expect to reapply for waivers in all other jurisdictions that have Capital Requirements, and whose laws allow waivers ("Waiver Jurisdictions"), before they are needed. Some jurisdictions denied our original request for a waiver and others may deny future requests. The OCI and insurance departments of other jurisdictions, in their sole discretion, may modify, terminate or extend their waivers. Any modification or extension of the Keepwell Provision requires our written consent. If the OCI or another insurance department modifies or terminates its waiver, or if it fails to grant a waiver or renew its waiver after expiration, depending on the circumstances, MGIC could be prevented from writing new business anywhere, in the case of the waiver from the OCI, or in the particular jurisdiction, in the case of the other waivers, if MGIC does not comply with the Capital Requirements unless MGIC obtained additional capital to enable it to comply with the Capital Requirements. New insurance written in the jurisdictions that have Capital Requirements represented approximately 50% of new insurance written in each of 2010 and 2011. If we were prevented from writing new business in all jurisdictions, our insurance operations in MGIC would be in run-off (meaning no new loans would be insured but loans previously insured would continue to be covered, with premiums continuing to be received and losses continuing to be paid on those loans) until MGIC either met the Capital Requirements or obtained a necessary waiver to allow it to once again write new business.

We cannot assure you that all Waiver Jurisdictions will grant a waiver of their Capital Requirements, the OCI or any other jurisdiction that has granted a waiver of its Capital Requirements will not modify or revoke the waiver, or will renew the waiver when it expires, or that MGIC could obtain the additional capital necessary to comply with the Capital Requirements. Depending on the circumstances, the amount of additional capital we might need could be substantial. See "— Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock."

We have implemented a plan to write new mortgage insurance in MIC in selected jurisdictions in order to address our expectation that in the future MGIC will not meet the Capital Requirements discussed above and may not be able to obtain appropriate waivers of these requirements in all jurisdictions in which Capital Requirements are present. As of December 31, 2011, MIC had statutory capital of $234 million (which does not include the $200 million contribution to be made in January 2012, in accordance with the New Order). MIC has received the necessary approvals, including from the OCI, to write business in all of the jurisdictions in which MGIC would be prohibited from continuing to write new business in the event of MGIC's failure to meet Capital Requirements and obtain waivers of those requirements. Depending on the level of losses that MGIC experiences in the future, however, it is possible that regulatory action by one or more jurisdictions, including those that do not have specific Capital Requirements, may prevent MGIC from continuing to write new insurance in some or all of the jurisdictions in which MIC is not eligible to insure loans purchased or guaranteed by Fannie Mae or Freddie Mac. If this were to occur, we would need to seek the GSEs' approval to allow MIC to write business in those jurisdictions.

In October 2009, we, MGIC and MIC entered into an agreement with Fannie Mae under which MGIC agreed to contribute $200 million to MIC (which MGIC did in 2009) and Fannie Mae approved MIC as an eligible mortgage insurer through December 31, 2011. On January 23, 2012, we, MGIC and MIC, entered into a new agreement with Fannie Mae (the "Fannie Mae Extension") under which we agreed to contribute $200 million to increase the statutory capital of MGIC (our $200 million contribution in December 2011 meets this requirement), MGIC agreed to contribute $200 million to MIC on or before January 31, 2012, and Fannie Mae extended its approval of MIC as an eligible mortgage insurer through December 31, 2013. Under the Fannie Mae Extension, MIC will be eligible to write mortgage insurance only in those jurisdictions (other than Wisconsin) in which MGIC cannot write new insurance due to MGIC's failure to meet Capital Requirements and if MGIC fails to obtain relief from those requirements or a specific waiver of them. The Fannie Mae Extension, including certain conditions and restrictions to its continued effectiveness, is summarized more fully in, and included as an exhibit to, our Form 8-K filed with the Securities and Exchange Commission (the "SEC") on January 24, 2012. Such conditions include the continued effectiveness of the OCI's New Order and the continued applicability of the Keepwell Provisions in the New Order. As noted above, we cannot assure you that the OCI will not modify or revoke the New Order, or that it will renew it when it expires.

On February 11, 2010, Freddie Mac notified MGIC that it may utilize MIC to write new business in jurisdictions in which MGIC does not meet Capital Requirements and does not obtain appropriate waivers of those requirements. Freddie Mac's approval, given in early 2010 and scheduled to expire December 31, 2012, contained various conditions to MIC's eligibility, including that MIC could not be capitalized with more than the $200 million contribution made in 2009, without prior approval from Freddie Mac. On January 23, 2012, Freddie Mac agreed to modify its approval in order to allow the $200 million contribution from MGIC to MIC that is provided for in the New Order and the Fannie Mae Extension (the "Freddie Mac Approval").

Under the Freddie Mac Approval, MIC may write business only in those jurisdictions where MGIC does not meet the Capital Requirements and does not obtain appropriate waivers of those requirements. Freddie Mac anticipates that MGIC will obtain waivers of the minimum capital requirements of most jurisdictions that have such requirements. Therefore, as of the date of the Freddie Mac Approval, approval of MIC as an eligible mortgage insurer is only given for New York, Kansas, Kentucky, Idaho and Puerto Rico. The Freddie Mac Approval, including certain conditions and restrictions to its continued effectiveness, is summarized more fully in, and included as an exhibit to, our Form 8-K filed with the SEC on January 24, 2012. Such conditions include requirements that MGIC contribute $200 million to MIC on or before January 31, 2012; MIC provide MGIC access to the capital of MIC in an amount necessary for MGIC to maintain sufficient liquidity to satisfy its obligations under insurance policies issued by MGIC; while MIC is writing new business under the Freddie Mac approval, MIC may not exceed a risk-to-capital ratio of 20:1; MGIC and MIC comply with all terms and conditions of the New Order and the New Order remain effective. As noted above, we cannot assure you that the OCI will not modify or revoke the New Order, or that it will renew it when it expires. As noted above, Freddie Mac has approved MIC as a Limited Insurer only through December 31, 2012. Unless Freddie Mac extends the term of its approval of MIC, whether MIC will continue as an eligible mortgage insurer after December 31, 2012 will be determined by the applicable GSE's mortgage insurer eligibility requirements then in effect. For more information, see "— MGIC may not continue to meet the GSEs' mortgage insurer eligibility requirements."

In 2011, one of our competitors, Republic Mortgage Insurance Company ("RMIC"), ceased writing new insurance commitments after the waiver of Capital Requirements that it received from its domiciliary state expired. In early 2012, RMIC was placed under the supervision of the insurance department of its domiciliary state and that insurance department issued a partial claim payment plan, under which RMIC's claim payments will be made at 50% for an initial period not to exceed one year, with the remaining amount deferred. In 2011, another competitor, PMI Mortgage Insurance Co. ("PMI") and the subsidiary it established to write new business if PMI was no longer able to do so, ceased issuing new mortgage insurance commitments when PMI was placed under the supervision of the insurance department of its domiciliary state. Later that year, the insurance department took possession and control of PMI and issued a partial claim payment plan, under which PMI's claim payments will be made at 50%, with the remaining amount deferred. (PMI's parent company subsequently filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code.)

A failure to meet the Capital Requirements to insure new business does not necessarily mean that MGIC does not have sufficient resources to pay claims on its insurance liabilities. While we believe that MGIC has sufficient claims paying resources to meet its claim obligations on its insurance in force, even in scenarios in which it fails to meet Capital Requirements, we cannot assure you that the events that led to MGIC failing to meet Capital Requirements would not also result in it not having sufficient claims paying resources. Furthermore, our estimates of MGIC's claims paying resources and claim obligations are based on various assumptions. These assumptions include our anticipated rescission activity; the timing of the receipt of claims on loans in our delinquency inventory and future claims that we anticipate will ultimately be received; future housing values and future unemployment rates. These assumptions are subject to inherent uncertainty and require judgment by management. Current conditions in the domestic economy make the assumptions about when anticipated claims will be received, housing values and unemployment rates highly volatile in the sense that there is a wide range of reasonably possible outcomes. Our anticipated rescission activity is also subject to inherent uncertainty due to the difficulty of predicting the amount of claims that will be rescinded and the outcome of any legal proceedings related to rescissions that we make, including those with Countrywide. (For more information about the Countrywide legal proceedings, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future.")

The amount of insurance we write could be adversely affected if the definition of Qualified Residential Mortgage results in a reduction of the number of low down payment loans available to be insured or if lenders and investors select alternatives to private mortgage insurance.

The financial reform legislation that was passed in July 2010 (the "Dodd-Frank Act" or "Dodd-Frank") requires a securitizer to retain at least 5% of the risk associated with mortgage loans that are securitized, and in some cases the retained risk may be allocated between the securitizer and the lender that originated the loan. This risk retention requirement does not apply to mortgage loans that are Qualified Residential Mortgages ("QRMs") or that are insured by the FHA or another federal agency. In March 2011, federal regulators issued the proposed risk retention rule that includes a definition of QRM. The proposed definition of QRM contains many underwriting requirements, including a maximum loan-to-value ratio ("LTV") of 80% on a home purchase transaction, a prohibition on seller contributions toward a borrower's down payment or closing costs, and certain limits on a borrower's debt-to-income ratio. The LTV is to be calculated without including mortgage insurance. The following table shows the percentage of our new risk written by LTV for 2011 and 2010.

	Percentage of new risk written	
	2011	2010
LTV:		
80% and under	0%	0%
80.1% - 85%	6%	7%
85.1% - 90%	41%	48%
90.1% - 95%	50%	44%
95.1% - 97%	3%	1%
> 97%	0%	0%

The regulators requested public comments regarding an alternative QRM definition, the underwriting requirements of which would allow loans with a maximum LTV of 90%, higher debt-to-income ratios than allowed under the proposed QRM definition, and that may consider mortgage insurance in determining whether the LTV requirement is met. We estimate that approximately 22% of our new risk written in 2011 was on loans that would have met the alternative QRM definition.

The regulators also requested that the public comments include information that may be used to assess whether mortgage insurance reduces the risk of default. We submitted a comment letter, including studies to the effect that mortgage insurance reduces the risk of default.

The public comment period for the proposed rule expired on August 1, 2011. At this time we do not know when a final rule will be issued. Under the proposed rule, because of the capital support provided by the U.S. Government, the GSEs satisfy the Dodd-Frank risk-retention requirements while they are in conservatorship. Therefore, lenders that originate loans that are sold to the GSEs while they are in conservatorship will not be required to retain risk associated with those loans.

Depending on, among other things, (a) the final definition of QRM and its requirements for LTV, seller contribution and debt-to-income ratio, (b) to what extent, if any, the presence of mortgage insurance would allow for a higher LTV in the definition of QRM, and (c) whether lenders choose mortgage insurance for non-QRM loans, the amount of new insurance that we write may be materially adversely affected. See also "— 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."

Alternatives to private mortgage insurance include:

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

- 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 originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10%, 15% or 20% loan-to-value 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% loan-to-value ratio that has private mortgage insurance.

The FHA substantially increased its market share beginning in 2008. We believe that the FHA's market share increased, in part, because private mortgage insurers tightened their underwriting guidelines (which led to increased utilization of the FHA's programs) and because of increases in the amount of loan level delivery fees that the GSEs assess on loans (which result in higher costs to borrowers). In addition, federal legislation and programs provided the FHA with greater flexibility in establishing new products and increased the FHA's competitive position against private mortgage insurers. However, the FHA's current premium pricing, when compared to our current credit-tiered premium pricing (and considering the effects of GSE pricing changes), may allow us to be more competitive with the FHA than in the recent past for loans with high FICO credit scores. We cannot predict, however, the FHA's share of new insurance written in the future due to, among other factors, different loan eligibility terms between the FHA and the GSEs; potential increases in guarantee fees charged by the GSEs, including those that are scheduled to occur in April 2012; changes to the FHA's annual premiums that are expected to be phased in over the next two years; and the total profitability that may be realized by mortgage lenders from securitizing loans through Ginnie Mae when compared to securitizing loans through Fannie Mae or Freddie Mac.

Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.

The majority of our insurance written is for loans sold to Fannie Mae and Freddie Mac. The business practices of the GSEs affect the entire relationship between them, lenders and mortgage insurers and include:

- the level of private mortgage insurance coverage, subject to the limitations of the GSEs' charters (which may be changed by federal legislation), when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,

- the amount of loan level delivery fees (which result in higher costs to borrowers) that the GSEs assess on loans that require mortgage insurance,

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

- the underwriting standards that determine what loans are eligible for purchase by the GSEs, which can 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,

- the programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs,

- the terms that the GSEs require to be included in mortgage insurance policies for loans that they purchase, and

- the extent to which the GSEs intervene in mortgage insurers' rescission practices or rescission settlement practices with lenders. For additional information, see "— Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper."

In September 2008, the Federal Housing Finance Agency ("FHFA") was appointed as the conservator of the GSEs. As their conservator, FHFA controls and directs the operations of the GSEs. The appointment of FHFA as conservator, the increasing role that the federal government has assumed in the residential mortgage market, our industry's inability, due to capital constraints, to write sufficient business to meet the needs of the GSEs or other factors may increase the likelihood that the business practices of the GSEs change in ways that may have a material adverse effect on us. In addition, these factors may increase the likelihood that the charters of the GSEs are changed by new federal legislation. The Dodd-Frank Act required the U.S. Department of the Treasury to report its recommendations regarding options for ending the conservatorship of the GSEs. This report was released on February 11, 2011 and while it does not provide any definitive timeline for GSE reform, it does recommend using a combination of federal housing policy changes to wind down the GSEs, shrink the government's footprint in housing finance, and help bring private capital back to the mortgage market. Members of the House of Representatives and the Senate have since introduced several bills intended to scale back the GSEs. As a result of the matters referred to above, it is uncertain what role the GSEs, FHA and private capital, including private mortgage insurance, will play in the domestic residential housing finance system in the future or the impact of any such changes on our business. In addition, the timing of the impact on our business is uncertain. Any changes would require Congressional action to implement and it is difficult to estimate when Congressional action would be final and how long any associated phase-in period may last.

The GSEs have different loan purchase programs that allow different levels of mortgage insurance coverage. Under the "charter coverage" program, on certain loans lenders may choose a mortgage insurance coverage percentage that is less than the GSEs' "standard coverage" and only the minimum required by the GSEs' charters, with the GSEs paying a lower price for such loans. In 2011, nearly all of our volume was on loans with GSE standard coverage. We charge higher premium rates for higher coverage percentages. To the extent lenders selling loans to GSEs in the future choose charter coverage for loans that we insure, our revenues would be reduced and we could experience other adverse effects.

MGIC may not continue to meet the GSEs' mortgage insurer eligibility requirements.

The majority of our insurance written is for loans sold to Fannie Mae and Freddie Mac, each of which has mortgage insurer eligibility requirements to maintain the highest level of eligibility, including a financial strength rating of Aa3/AA-. Because MGIC does not meet such financial strength rating requirements of Fannie Mae and Freddie Mac (its financial strength rating from Moody's is B1, with the rating currently under review, and from Standard & Poor's is B+, with a negative outlook), MGIC is currently operating with each GSE as an eligible insurer under a remediation plan. We believe that the GSEs view remediation plans as a continuing process of interaction with a mortgage insurer and MGIC will continue to operate under a remediation plan for the foreseeable future. There can be no assurance that MGIC will be able to continue to operate as an eligible mortgage insurer under a remediation plan. In particular, the GSEs are currently in discussions with mortgage insurers regarding their standard mortgage insurer eligibility requirements and may make changes to them in the near future that may make them more stringent than the current requirements. The GSEs may include the eligibility requirements, as finally adopted, as part of our current remediation plan. If MGIC ceases to be eligible to insure loans purchased by one or both of the GSEs, it would significantly reduce the volume of our new business writings.

We have reported net losses for the last five years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability.

For the years ended December 31, 2011, 2010, 2009, 2008 and 2007, we had a net loss of $0.5 billion, $0.4 billion, $1.3 billion, $0.5 billion and $1.7 billion, respectively. We currently expect to continue to report annual net losses, the size of which will depend primarily on the amount of our incurred and paid losses from our existing business, which could increase due to developments in ongoing legal proceedings related to rescissions and the disagreement with Freddie Mac regarding the interpretation of a pool policy (see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future"), and to a lesser extent on the amount and profitability of our new business. Our incurred and paid losses are dependent on factors that make prediction of their amounts difficult and any forecasts are subject to significant volatility. Although we currently expect to return to profitability on an annual basis, we cannot assure you when, or if, this will occur. Conditions that could delay our return to profitability include low housing values, high unemployment rates, low cure rates, changes to our current rescission practices and unfavorable resolution of ongoing legal proceedings. In this regard, see "— Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper" and "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future." The net losses we have experienced have eroded, and any future net losses will erode, our shareholders' equity and could result in equity being negative.

Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper.

Historically, rescissions of policies for which claims have been submitted to us were not a material portion of our claims resolved during a year. However, beginning in 2008, our rescissions of policies have materially mitigated our paid losses. In each of 2009 and 2010, rescissions mitigated our paid losses by approximately $1.2 billion and in 2011, rescissions mitigated our paid losses by approximately $0.6 billion (in each case, the figure includes amounts that would have either resulted in a claim payment or been charged to a deductible under a bulk or pool policy, and may have been charged to a captive reinsurer). In recent quarters, 17% to 20% of claims received in a quarter have been resolved by rescissions, down from the peak of approximately 28% in the first half of 2009. In the second half of 2011, Countrywide materially increased the percentage of loans for which it is rebutting the assertions that we make prior to rescinding a loan. When we receive a rebuttal prior to a rescission, we do not rescind coverage until after we respond to the rebuttal. Therefore, in addition to our substantial pipeline of claims investigations, we have a substantial pipeline of pre-rescission rebuttals that, based on our historical experience with such rebuttals, we expect will eventually result in rescissions. We continue to expect that the percentage of claims that will be resolved through rescissions will continue to decline after resolution of the rebuttal pipeline.

Our loss reserving methodology incorporates the effects we expect rescission activity to have on the losses we expect to pay on our delinquent inventory. A variance between ultimate actual rescission rates and these estimates, as a result of the outcome of claims investigations, litigation, settlements or other factors, could materially affect our losses. See "—Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently very volatile, paid claims may be substantially different than our loss reserves." We estimate rescissions mitigated our incurred losses by approximately $2.5 billion in 2009 and $0.2 billion in 2010. In 2011, we estimate that rescissions had no significant impact on our losses incurred. All of these figures include the benefit of claims not paid in the period as well as the impact of changes in our estimated expected rescission activity on our loss reserves in the period. At December 31, 2011, we had 175,639 loans in our primary delinquency inventory; a significant portion of these loans will cure their delinquency or be rescinded and will not involve paid claims.

If the insured disputes our right to rescind coverage, the outcome of the dispute ultimately would be determined by legal proceedings. Legal proceedings disputing our right to rescind coverage may be brought up to three years after the lender has obtained title to the property (typically through a foreclosure) or the property was sold in a sale that we approved, whichever is applicable, although in a few jurisdictions there is a longer time to bring such an action. For the majority of our rescissions that are not subject to a settlement agreement, the period in which a dispute may be brought has not ended. We consider a rescission resolved for financial reporting purposes even though legal proceedings have been initiated and are ongoing. Although it is reasonably possible that, when the proceedings are completed, there will be a determination that we were not entitled to rescind in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability. Under ASC 450-20, an estimated loss from such proceedings is accrued for only if we determine that the loss is probable and can be reasonably estimated. Therefore, when establishing our loss reserves, we do not include additional loss reserves that would reflect an adverse outcome from ongoing legal proceedings, including those with Countrywide. For more information about these legal proceedings, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future."

In addition to the proceedings involving Countrywide, we are involved in legal proceedings with respect to rescissions that we do not consider to be collectively material in amount. Although it is reasonably possible that, when these discussions or proceedings are completed, there will be a conclusion or determination that we were not entitled to rescind in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability.

In 2010, we entered into a settlement agreement with a lender-customer regarding our rescission practices. In April 2011, Freddie Mac advised its servicers that they must obtain its prior approval for rescission settlements and Fannie Mae advised its servicers that they are prohibited from entering into such settlements. In addition, in April 2011, Fannie Mae notified us that we must obtain its prior approval to enter into certain settlements. We continue to discuss with other lender-customers their objections to material rescissions and have reached settlement terms with several of our significant lender-customers. Any definitive agreement with these customers would be subject to GSE approval. One GSE has approved one of our settlement agreements, but this agreement remains subject to the approval of the other GSE. We believe that it is probable (within the meaning of ASC 450-20) that this agreement will be approved by the other GSE. As a result, we considered the terms of the agreement when establishing our loss reserves at December 31, 2011. This agreement did not have a significant impact on our established loss reserves. Neither GSE has approved our other settlement agreements. There can be no assurances that both GSEs will approve any settlement agreements and the GSEs may approve some of our settlement agreements and reject others based on the specific terms of those agreements.

We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. 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 December 2004, following denial of class certification in June 2004. Since December 2006, class action litigation has been brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. On December 11, 2011, seven mortgage insurers (including MGIC) and a large mortgage lender (which was the named plaintiffs' lender) were named as defendants in a complaint, alleged to be a class action, filed in U.S. District Court for the Central District of California. On December 30, 2011, a similar complaint was filed in the U.S. District Court for the Eastern District of Pennsylvania by different plaintiffs against the same seven mortgage insurers and another large lender. The complaints in both cases alleged various causes of action related to the captive mortgage reinsurance arrangements of these two mortgage lenders, including that the defendants violated RESPA by paying excessive premiums to the lenders' captive reinsurer in relation to the risk assumed by that captive. The named plaintiffs' loans were not insured by MGIC. MGIC denies any wrongdoing and intends to vigorously defend itself against the allegations in the lawsuits. There can be no assurance that we will not be subject to further litigation under RESPA (or FCRA) or that the outcome of any such litigation, including the lawsuits mentioned above, would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department, we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the New York Insurance Department 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 New York Insurance Department 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 "MN Department"), which regulates insurance, we provided the MN Department with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the MN Department, and beginning in March 2008, the MN Department has sought additional information as well as answers to questions regarding captive mortgage reinsurance on several occasions, including as recently as May 2011.

In addition, beginning in June 2008, and as recently as December 2011, we received various subpoenas from the U.S. Department of Housing and Urban Development ("HUD"), seeking information about captive mortgage reinsurance similar to that requested by the MN Department, but not limited in scope to the state of Minnesota. In January 2012, we received correspondence from the Consumer Financial Protection Bureau ("CFPB") indicating that the CFPB had opened an investigation into captive mortgage reinsurance premium ceding practices by private mortgage insurers. In that correspondence, the CFPB also requested certain information regarding captive mortgage reinsurance transactions in which we participated. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

Various regulators, including the CFPB, state insurance commissioners and state attorneys general may bring actions seeking various forms of relief, including civil penalties and injunctions against violations 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 eventual scope, duration or outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

We are subject to comprehensive, detailed regulation by state insurance departments. These regulations are principally designed for the protection of our insured policyholders, rather than for the benefit of investors. Although their scope varies, state insurance laws generally grant broad supervisory powers to agencies or officials to examine insurance companies and enforce rules or exercise discretion affecting almost every significant aspect of the insurance business. Given the recent significant losses incurred by many insurers in the mortgage and financial guaranty industries, our insurance subsidiaries have been subject to heightened scrutiny by insurance regulators. State insurance regulatory authorities could take actions, including changes in capital requirements or termination of waivers of capital requirements, that could have a material adverse effect on us. In addition, we are uncertain whether the CFPB, established by the Dodd-Frank Act to regulate the offering and provision of consumer financial products or services under federal law, will issue any rules or regulations that affect our business apart from any action it may take as a result of its investigation of captive mortgage reinsurance. Such rules and regulations could have a material adverse effect on us.

In September 2010, a housing discrimination complaint was filed against MGIC with HUD alleging that MGIC violated the Fair Housing Act and discriminated against the complainant on the basis of her sex and familial status when MGIC underwrote her loan for mortgage insurance. In May 2011, HUD commenced an administrative action against MGIC and two of its employees, seeking, among other relief, aggregate fines of $48,000. The HUD complainant elected to have charges in the administrative action proceed in federal court and in July 2011, the U.S. Department of Justice (“DOJ”) filed a civil complaint in the U.S. District Court for the Western District of Pennsylvania against MGIC and these employees on behalf of the complainant. The complaint seeks redress for the alleged housing discrimination, including compensatory and punitive damages for the alleged victims and a civil penalty payable to the United States. MGIC denies that any unlawful discrimination occurred and disputes many of the allegations in the complaint.

In October 2010, a separate purported class action lawsuit was filed against MGIC by the HUD complainant in the same District Court in which the DOJ action is pending alleging that MGIC discriminated against her on the basis of her sex and familial status when MGIC underwrote her loan for mortgage insurance. In May 2011, the District Court granted MGIC’s motion to dismiss with respect to all claims except certain Fair Housing Act claims.

MGIC intends to vigorously defend itself against the allegations in both the class action lawsuit and the DOJ lawsuit. Based on the facts known at this time, we do not foresee the ultimate resolution of these legal proceedings having a material adverse effect on us.

Five previously-filed purported class action complaints filed against us and several of our executive officers were consolidated in March 2009 in the United States District Court for the Eastern District of Wisconsin and Fulton County Employees’ Retirement System was appointed as the lead plaintiff. The lead plaintiff filed a Consolidated Class Action Complaint (the “Complaint”) in June 2009. Due in part to its length and structure, it is difficult to summarize briefly the allegations in the Complaint but it appears the allegations are that we and our officers named in the Complaint violated the federal securities laws by misrepresenting or failing to disclose material information about (i) loss development in our insurance in force, and (ii) C-BASS (a former minority-owned, unconsolidated, joint venture investment), including its liquidity. The Complaint also named two officers of C-BASS with respect to the Complaints’ allegations regarding C-BASS. Our motion to dismiss the Complaint was granted in February 2010. In March 2010, plaintiffs filed a motion for leave to file an amended complaint. Attached to this motion was a proposed Amended Complaint (the “Amended Complaint”). The Amended Complaint alleged that we and two of our officers named in the Amended Complaint violated the federal securities laws by misrepresenting or failing to disclose material information about C-BASS, including its liquidity, and by failing to properly account for our investment in C-BASS. The Amended Complaint also named two officers of C-BASS with respect to the Amended Complaint’s allegations regarding C-BASS. The purported class period covered by the Amended Complaint began on February 6, 2007 and ended on August 13, 2007. The Amended Complaint sought damages based on purchases of our stock during this time period at prices that were allegedly inflated as a result of the purported violations of federal securities laws. In December 2010, the plaintiffs’ motion to file an amended complaint was denied and the Complaint was dismissed with prejudice. In January 2011, the plaintiffs appealed the February 2010 and December 2010 decisions to the United States Court of Appeals for the Seventh Circuit; during oral argument before the Appeals Court regarding the case on January 12, 2012, the plaintiffs confirmed the appeal was limited to issues regarding C-BASS. In June 2011, the plaintiffs filed a motion with the District Court for relief from that court’s judgment of dismissal on the ground of newly discovered evidence consisting of transcripts the plaintiffs obtained of testimony taken by the Securities and Exchange Commission in its now-terminated investigation regarding C-BASS. We are opposing this motion and the matter is awaiting decision by the District Court. We are unable to predict the outcome of these consolidated cases or estimate our associated expenses or possible losses. Other lawsuits alleging violations of the securities laws could be brought against us.

We understand several law firms have, among other things, issued press releases to the effect that they are investigating us, including whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment in or holding of our common stock or whether we breached other legal or fiduciary obligations to our shareholders. We intend to defend vigorously any proceedings that may result from these investigations.

With limited exceptions, our bylaws provide that our officers and 401(k) plan fiduciaries are entitled to indemnification from us for claims against them.

In December 2009, Countrywide filed a complaint for declaratory relief in the Superior Court of the State of California in San Francisco against MGIC. This complaint alleges that MGIC has denied, and continues to deny, valid mortgage insurance claims submitted by Countrywide and says it seeks declaratory relief regarding the proper interpretation of the insurance policies at issue. In October 2011, the United States District Court for the Northern District of California, to which the case had been removed, entered an order staying the litigation in favor of the arbitration proceeding we commenced against Countrywide in February 2010.

In the arbitration proceeding, we are seeking a determination that MGIC is entitled to rescind coverage on the loans involved in the proceeding. From January 1, 2008 through December 31, 2011, rescissions of Countrywide-related loans mitigated our paid losses on the order of $435 million. This amount is the amount we estimate we would have paid had the loans not been rescinded. On a per loan basis, the average amount that we would have paid had the loans not been rescinded was approximately $72,100. Various materials exchanged by MGIC and Countrywide bring into the dispute loans we did not previously consider to be Countrywide-related and loans on which MGIC rescinded coverage subsequent to those specified at the time MGIC began the proceeding (including loans insured through the bulk channel), and set forth Countrywide's contention that, in addition to the claim amounts under policies it alleges MGIC has improperly rescinded, Countrywide is entitled to other damages of almost $700 million as well as exemplary damages. Countrywide and MGIC have each selected 12 loans for which a three-member arbitration panel will determine coverage. While the panel's determination will not be binding on the other loans at issue, the panel will identify the issues for these 24 "bellwether" loans and strive to set forth findings of fact and conclusions of law in such a way as to aid the parties to apply them to the other loans at issue. The hearing before the panel on the bellwether loans was scheduled to begin in September 2012, but we and Countrywide have agreed that the parties will take steps to delay the hearing at least 60 days.

We intend to defend MGIC against any further proceedings arising from Countrywide's complaint and to advocate MGIC's position in the arbitration, vigorously. Although it is reasonably possible that, when the proceedings are completed, there will be a determination that we were not entitled to rescind in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability. Under ASC 450-20, an estimated loss is accrued for only if we determine that the loss is probable and can be reasonably estimated. Therefore, we have not accrued any reserves that would reflect an adverse outcome in this proceeding. An accrual for an adverse outcome in this (or any other) proceeding would be a reduction to our capital. In this regard, see "— Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis."

At December 31, 2011, 38,127 loans in our primary delinquency inventory were Countrywide-related loans (approximately 22% of our primary delinquency inventory). Of these 38,127 loans, we expect a significant portion will cure their delinquency or be rescinded and will not involve paid claims. From January 1, 2008 through December 31, 2011, of the claims on Countrywide-related loans that were resolved (a claim is resolved when it is paid or rescinded; claims that are submitted but which are under review are not resolved until one of these two outcomes occurs), approximately 78% were paid and the remaining 22% were rescinded.

The flow policies at issue with Countrywide are in the same form as the flow policies that we use with all of our customers, and the bulk policies at issue vary from one another, but are generally similar to those used in the majority of our Wall Street bulk transactions. Because our rescission practices with Countrywide do not differ from our practices with other servicers with which we have not entered into settlement agreements, an adverse result in the Countrywide proceeding may adversely affect the ultimate result of rescissions involving other servicers and lenders. From January 1, 2008 through December 31, 2011, we estimate that total rescissions mitigated our incurred losses by approximately $3.1 billion, which included approximately $2.6 billion of mitigation on paid losses, excluding $0.6 billion that would have been applied to a deductible. At December 31, 2011, we estimate that our total loss reserves were benefited from rescissions by approximately $0.7 billion.

In addition to the rescissions at issue with Countrywide, we have a substantial pipeline of claims investigations and pre-rescission rebuttals (including those involving loans related to Countrywide) that we expect will eventually result in future rescissions. For additional information about rescissions as well as rescission settlement agreements, see "— Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper."

MGIC and Freddie Mac disagree on the amount of the aggregate loss limit under certain pool insurance policies insuring Freddie Mac that share a single aggregate loss limit. The aggregate loss limit is approximately $535 million higher under Freddie Mac's interpretation than under our interpretation. We account for losses under our interpretation although it is reasonably possible that were the matter to be decided by a third party our interpretation would not prevail. The differing interpretations had no effect on our results until the second quarter of 2011. For 2011, our incurred losses would have been $192 million higher in the aggregate had they been recorded based on Freddie Mac's interpretation, and our capital and Capital Requirements would have been negatively impacted. See our risk factor titled, "Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis." We expect the incurred losses that would have been recorded under Freddie Mac's interpretation will continue to increase in future quarters. We have discussed the disagreement with Freddie Mac in an effort to resolve it and expect that these discussions will continue.

In addition to the matters described above, we are involved in other legal proceedings in the ordinary course of business. In our opinion, based on the facts known at this time, the ultimate resolution of these ordinary course legal proceedings will not have a material adverse effect on our financial position or results of operations.

The settlement agreement we reached with the Internal Revenue Service, relating to significant proposed adjustments to our taxable income for 2000 through 2007, may not be finalized.

The Internal Revenue Service ("IRS") completed separate examinations of our federal income tax returns for the years 2000 through 2004 and 2005 through 2007 and issued assessments for unpaid taxes, interest and penalties related 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"). This portfolio has been managed and maintained during years prior to, during and subsequent to the examination period. The IRS indicated that it did not believe that, for various reasons, we had established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. The IRS assessment related to the REMIC issue is $190.7 million in taxes and penalties. There would also be applicable interest, which may be substantial. Additional state income taxes along with any applicable interest may become due when a final resolution is reached and could also be substantial. We appealed these assessments within the IRS and, in 2007, we made a payment of $65.2 million with the United States Department of the Treasury related to this assessment. In August 2010, we reached a tentative settlement agreement with the IRS. Because net operating losses that we incurred in 2009 were carried back to taxable years that were included in the settlement agreement, it was subject to review by the Joint Committee on Taxation of Congress. Following that review, the IRS indicated that it is reconsidering the terms of the settlement. We are attempting to address the IRS' concerns, but there is a risk that we may not be able to settle the proposed adjustments with the IRS or, alternatively, that the terms of any final settlement will be more costly to us than the currently proposed settlement. In the event that we are unable to reach any settlement of the proposed adjustments, we would be required to litigate their validity in order to avoid a full concession to the IRS. Any such litigation could be lengthy and costly in terms of legal fees and related expenses. We adjusted our tax provision and liabilities for the effects of the tentative settlement agreement in 2010. The IRS' reconsideration of the terms of the settlement agreement did not affect these previously recorded items. However, we would need to make appropriate adjustments, which could be material, to our tax provision and liabilities if our view of the probability of success in this matter changes or we enter into a new settlement agreement, and the ultimate resolution of this matter could have a material negative impact on our effective tax rate, results of operations, cash flows and statutory capital. In this regard, see "— Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis."

Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods.

In accordance with generally accepted accounting principles in the United States, commonly referred to as GAAP, we establish loss reserves only for loans in default. Reserves are established for reported insurance losses and loss adjustment expenses based on when notices of default on insured mortgage loans are received. Reserves are also established for estimated losses incurred on notices of default that have not yet been reported to us by the servicers (this is often referred to as "IBNR"). We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss. Because our reserving method does not take account of the impact of future losses that could occur from loans that are not delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our financial statements, except in the case where a premium deficiency exists. As a result, future losses may have a material impact on future results as such losses emerge.

Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently very volatile, paid claims may be substantially different than our loss reserves.

We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss on delinquent loans. The estimated claim rates and claim amounts represent our best estimates of what we will actually pay on the loans in default as of the reserve date and incorporate anticipated mitigation from rescissions. We rescind policies and deny claims in cases where we believe our policy allows us to do so. Therefore, when establishing our loss reserves, we do not include additional loss reserves that would reflect an adverse development from ongoing dispute resolution proceedings, including those with Countrywide, or from ongoing disagreements over the interpretation of our policy, including those with Freddie Mac related to the computation of the aggregate loss limit under a pool insurance policy. For more information regarding our legal proceedings with Countrywide and the Freddie Mac disagreement, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future."

The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. Current conditions in the housing and mortgage industries make the assumptions that we use to establish loss reserves more volatile than they would otherwise be. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions, including unemployment, leading to a reduction in borrowers' income and thus their ability to make mortgage payments, a further drop in housing values that could result in, among other things, greater losses on loans that have pool insurance, and mitigation from rescissions being materially less than assumed. Changes to our estimates could result in material impact to our results of operations, even in a stable economic environment, and there can be no assurance that actual claims paid by us will not be substantially different than our loss reserves.

Loan modification and other similar programs may not continue to provide material benefits to us and our losses on loans that re-default can be higher than what we would have paid had the loan not been modified.

Beginning in the fourth quarter of 2008, the federal government, including through the Federal Deposit Insurance Corporation and the GSEs, and several lenders have adopted programs to modify loans to make them more affordable to borrowers with the goal of reducing the number of foreclosures. During 2010 and 2011, we were notified of modifications that cured delinquencies that had they become paid claims would have resulted in approximately $3.2 billion and $1.8 billion, respectively, of estimated claim payments. As noted below, we cannot predict with a high degree of confidence what the ultimate re-default rate will be. For internal reporting purposes, we assume approximately 50% of those modifications will ultimately re-default, and those re-defaults may result in future claim payments. Because modifications cure the defaults with respect to the previously defaulted loans, our loss reserves do not account for potential re-defaults unless at the time the reserve is established, the re-default has already occurred. Based on information that is provided to us, most of the modifications resulted in reduced payments from interest rate and/or amortization period adjustments; less than 5% resulted in principal forgiveness.

One loan modification program is the Home Affordable Modification Program ("HAMP"). Some of HAMP's eligibility criteria relate to the borrower's current income and non-mortgage debt payments. Because the GSEs and servicers do not share such information with us, we cannot determine with certainty the number of loans in our delinquent inventory that are eligible to participate in HAMP. We believe that it could take several months from the time a borrower has made all of the payments during HAMP's three month "trial modification" period for the loan to be reported to us as a cured delinquency.

We rely on information provided to us by the GSEs and servicers. We do not receive all of the information from such sources that is required to determine with certainty the number of loans that are participating in, or have successfully completed, HAMP. We are aware of approximately 12,290 loans in our primary delinquent inventory at December 31, 2011 for which the HAMP trial period has begun and which trial periods have not been reported to us as completed or cancelled. Through December 31, 2011 approximately 37,100 delinquent primary loans have cured their delinquency after entering HAMP and are not in default. We believe that we have realized the majority of the benefits from HAMP because the number of loans insured by us that we are aware are entering HAMP trial modification periods has decreased significantly over time.

In 2009, the GSEs began offering the Home Affordable Refinance Program ("HARP"). HARP allows borrowers who are not delinquent but who may not otherwise be able to refinance their loans under the current GSE underwriting standards, to refinance their loans. We allow the HARP refinances on loans that we insure, regardless of whether the loan meets our current underwriting standards, and we account for the refinance as a loan modification (even where there is a new lender) rather than new insurance written. To incent lenders to allow more current borrowers to refinance their loans, in October 2011, the GSEs and their regulator, FHFA, announced an expansion of HARP. The expansion includes, among other changes, releasing certain representations in certain circumstances benefitting the GSEs. We have agreed to allow these additional HARP refinances, including releasing the insured in certain circumstances from certain rescission rights we would have under our policy. While an expansion of HARP may result in fewer delinquent loans and claims, our ability to rescind coverage will be limited in certain circumstances. We are unable to predict what net impact these changes may have on our incurred or paid losses.

The effect on us of loan modifications depends on how many modified loans subsequently re-default, which in turn can be affected by changes in housing values. Re-defaults can result in losses for us that could be greater than we would have paid had the loan not been modified. At this point, we cannot predict with a high degree of confidence what the ultimate re-default rate will be. In addition, because we do not have information in our database for all of the parameters used to determine which loans are eligible for modification programs, our estimates of the number of loans qualifying for modification programs are inherently uncertain. If legislation is enacted to permit a portion of a borrower's mortgage loan balance to be reduced in bankruptcy and if the borrower re-defaults after such reduction, then the amount we would be responsible to cover would be calculated after adding back the reduction. Unless a lender has obtained our prior approval, if a borrower's mortgage loan balance is reduced outside the bankruptcy context, including in association with a loan modification, and if the borrower re-defaults after such reduction, then under the terms of our policy the amount we would be responsible to cover would be calculated net of the reduction.

Eligibility under certain loan modification programs can also adversely affect us by creating an incentive for borrowers who are able to make their mortgage payments to become delinquent in an attempt to obtain the benefits of a modification. New notices of delinquency increase our incurred losses.

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.

The factors that affect the volume of low down payment mortgage originations include:

- restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues and risk-retention requirements associated with non-QRM loans affecting lenders,

- the level of home mortgage interest rates and the deductibility of mortgage interest for income tax purposes,
- 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 loan-to-value ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

As noted above, the Dodd-Frank Act established the CFPB to regulate the offering and provision of consumer financial products or services under federal law. We are uncertain whether this Bureau will issue any rules or regulations that affect our business or the volume of low down payment home mortgage originations. Such rules and regulations could have a material adverse effect on our financial position or results of operations.

A decline in the volume of low down payment home mortgage originations could decrease demand for mortgage insurance, decrease our new insurance written and reduce our revenues. Such a decline could be caused by, among other things, the definition of “qualified residential mortgages” by regulators implementing the Dodd-Frank Act. See “— The amount of insurance we write could be adversely affected if the definition of Qualified Residential Mortgage results in a reduction of the number of low down payment loans available to be insured or if lenders and investors select alternatives to private mortgage insurance.”

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

In recent years, the level of competition within the private mortgage insurance industry has been intense as many large mortgage lenders 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. During 2010 and 2011, approximately 11% and 9%, respectively, of our new insurance written was for loans for which one lender was the original insured, although revenue from such loans was significantly less than 10% of our revenues during each of those periods. Our private mortgage insurance competitors include:

- Genworth Mortgage Insurance Corporation,
- United Guaranty Residential Insurance Company,
- Radian Guaranty Inc.,
- CMG Mortgage Insurance Company, and
- Essent Guaranty, Inc.

As noted above, PMI Mortgage Insurance Company and Republic Mortgage Insurance Company ceased writing business in 2011. Until recently, the mortgage insurance industry had not had new entrants in many years. In 2010, Essent Guaranty, Inc. began writing new mortgage insurance. Essent has publicly reported that one of its investors is JPMorgan Chase which is one of our customers. The perceived increase in credit quality of loans that are being insured today combined with the deterioration of the financial strength ratings of the existing mortgage insurance companies could encourage new entrants. The FHA, which in recent years was not viewed by us as a significant competitor, substantially increased its market share beginning in 2008.

Our relationships with our customers could be adversely affected by a variety of factors, including tightening of and adherence to our underwriting guidelines, which have resulted in our declining to insure some of the loans originated by our customers and rescission of loans that affect the customer. We have ongoing discussions with lenders who are significant customers regarding their objections to our rescissions. In the fourth quarter of 2009, Countrywide commenced litigation against us as a result of its dissatisfaction with our rescission practices shortly after Countrywide ceased doing business with us. See "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future" for more information about this litigation and the arbitration case we filed against Countrywide regarding rescissions.

We believe some lenders assess a mortgage insurer's financial strength rating as an important element of the process through which they select mortgage insurers. As a result of MGIC's less than investment grade financial strength rating, MGIC may be competitively disadvantaged with these lenders. MGIC's financial strength rating from Moody's is B1, with the rating currently under review, and from Standard & Poor's is B+ with a negative outlook. It is possible that MGIC's financial strength ratings could decline from these levels.

Downturns in the domestic economy or declines in the value of borrowers' homes from their value at the time their loans closed 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. In general, favorable economic conditions 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, including an increase in unemployment, generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home. 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 and the cost of mortgage credit due to more stringent underwriting standards, liquidity issues and risk-retention requirements associated with non-QRM loans affecting lenders, higher interest rates generally or changes to the deductibility of mortgage interest for income tax purposes, or other factors. The residential mortgage market in the United States has for some time experienced a variety of poor or worsening economic conditions, including a material nationwide decline in housing values, with declines continuing in 2011 in a number of geographic areas. Home values may continue to deteriorate and unemployment levels may remain elevated or increase.

The mix of business we write also affects the likelihood of losses occurring.

Even when housing values are stable or rising, mortgages with certain characteristics have higher probabilities of claims. These characteristics include loans with loan-to-value ratios over 95% (or in certain markets that have experienced declining housing values, over 90%), FICO credit scores below 620, limited underwriting, including limited borrower documentation, or higher total debt-to-income ratios, as well as loans having combinations of higher risk factors. As of December 31, 2011, approximately 25.9% of our primary risk in force consisted of loans with loan-to-value ratios greater than 95%, 8.5% had FICO credit scores below 620, and 10.2% had limited underwriting, including limited borrower documentation, each attribute as determined at the time of loan origination. A material portion of these loans were written in 2005 — 2007 or the first quarter of 2008. In accordance with industry practice, loans approved by GSEs and other automated underwriting systems under "doc waiver" programs that do not require verification of borrower income are classified by us as "full documentation." For additional information about such loans, see footnote (1) to the Additional Information at the end of this press release.

From time to time, in response to market conditions, we change the types of loans that we insure and the guidelines under which we insure them. In addition, we make exceptions to our underwriting guidelines on a loan-by-loan basis and for certain customer programs. Together these exceptions accounted for fewer than 5% of the loans we insured in the second half of 2010 and in 2011. A large percentage of the exceptions were made for loans with debt-to-income ratios slightly above our guideline. Beginning in September 2009, we have made changes to our underwriting guidelines that have allowed certain loans to be eligible for insurance that were not eligible prior to those changes and we expect to continue to make changes in appropriate circumstances in the future. Our underwriting guidelines are available on our website at http://www.mgic.com/guides/underwriting.html.

As of December 31, 2011, approximately 2.6% of our primary risk in force written through the flow channel, and 33.0% of our primary risk in force written through the bulk channel, consisted 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 when the reset interest rate significantly exceeds the interest rate at loan origination, claims on ARMs and adjustable rate mortgages whose interest rates may only be adjusted after five years would be substantially higher than for fixed rate loans. 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 have insured "interest-only" loans, which may also be ARMs, and loans with negative amortization features, such as pay option ARMs. We believe claim rates on these loans will be substantially higher than on loans without scheduled payment increases that are made to borrowers of comparable credit quality.

Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will be adequate to compensate for actual losses even under our current underwriting guidelines. We do, however, believe that given the various changes in our underwriting guidelines that were effective beginning in the first quarter of 2008, our insurance written beginning in the second quarter of 2008 will generate underwriting profits.

The premiums we charge may not be adequate to compensate us for our liabilities for losses and as a result any inadequacy could materially affect our financial condition and results of operations.

We set premiums at the time a policy is issued based on our expectations regarding likely performance over the long-term. Our premiums are subject to approval by state regulatory agencies, which can delay or limit our ability to increase our premiums. Generally, we cannot cancel the mortgage insurance coverage or adjust renewal premiums during the life of a mortgage insurance policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. The premiums we charge, and the associated investment income, may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our results of operations or financial condition.

In January 2008, we announced that we had decided to stop writing the portion of our bulk business that insures loans which are included in Wall Street securitizations because the performance of loans included in such securitizations deteriorated materially in the fourth quarter of 2007 and this deterioration was materially worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. As of December 31, 2007 we established a premium deficiency reserve of approximately $1.2 billion. As of December 31, 2011, the premium deficiency reserve was $134.8 million, which reflects the present value of expected future losses and expenses that exceeds the present value of expected future premium and already established loss reserves on these bulk transactions.

We continue to experience material losses, especially on the 2006 and 2007 books. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices, which in turn will be influenced by general economic conditions and other factors. Because we cannot predict future home prices or general economic conditions with confidence, there is significant uncertainty surrounding what our ultimate losses will be on our 2006 and 2007 books. Our current expectation, however, is that these books will continue to generate material incurred and paid losses for a number of years. There can be no assurance that additional premium deficiency reserves on Wall Street Bulk or on other portions of our insurance portfolio will not be required.

It is uncertain what effect foreclosure moratoriums and issues arising from the investigation of servicers' foreclosure procedures will have on us.

Various government entities and private parties have from time to time enacted foreclosure (or equivalent) moratoriums and suspensions (which we collectively refer to as moratoriums). Recently, various government agencies have been investigating large mortgage servicers and other parties to determine whether they acted improperly in foreclosure proceedings. We do not know what effect improprieties that may have occurred in a particular foreclosure have on the validity of that foreclosure, once it was completed and the property transferred to the lender. Under our policy, in general, completion of a foreclosure is a condition precedent to the filing of a claim.

Past moratoriums, which were imposed to afford time to determine whether loans could be modified, did not stop the accrual of interest or affect other expenses on a loan, and we cannot predict whether any future moratorium would do so. Therefore, unless a loan is cured during a moratorium, at the expiration of a moratorium, additional interest and expenses may be due to the lender from the borrower. For certain moratoriums (e.g., those imposed in order to afford time to modify loans), our paid claim amount may include some additional interest and expenses. For moratoriums or delays resulting from investigations into servicers and other parties' actions in foreclosure proceedings, our willingness to pay additional interest and expenses may be different, subject to the terms of our mortgage insurance policies. The various moratoriums and delays may temporarily delay our receipt of claims and may increase the length of time a loan remains in our delinquent loan inventory.

In early January 2011, the highest court in Massachusetts, a state in which foreclosures are accomplished by private sale rather than judicial action, held the foreclosure laws of that state required a person seeking to foreclose a mortgage to be the holder of the mortgage at the time notice of foreclosure was published. The servicers who had foreclosed in this case did not provide sufficient evidence that they were the holders of the mortgages and therefore they lacked authority to foreclose. Some courts in other jurisdictions have considered similar issues and reached similar conclusions, but other courts have reached different conclusions. These decisions have not had a direct impact on our claims processes or rescissions.

We are susceptible to disruptions in the servicing of mortgage loans that we insure.

We depend on reliable, consistent third-party servicing of the loans that we insure. Over the last several years, the mortgage loan servicing industry has experienced consolidation. The resulting reduction in the number of servicers could lead to disruptions in the servicing of mortgage loans covered by our insurance policies. In addition, current housing market trends have led to significant increases in the number of delinquent mortgage loans requiring servicing. These increases have strained the resources of servicers, reducing their ability to undertake mitigation efforts that could help limit our losses, and have resulted in an increasing amount of delinquent loan servicing being transferred to specialty servicers. The transfer of servicing can cause a disruption in the servicing of delinquent loans. Future housing market conditions could lead to additional increases in delinquencies. Managing a substantially higher volume of non-performing loans could lead to increased disruptions in the servicing of mortgages. Investigations into whether servicers have acted improperly in foreclosure proceedings may further strain the resources of servicers.

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.

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 a significant determinant of our 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 current value of 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. Since 2000, our year-end persistency ranged from a high of 84.7% at December 31, 2009 to a low of 47.1% at December 31, 2003. Future premiums on our insurance in force represent a material portion of our claims paying resources.

Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock.

As noted above under "—Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis," we may be required to raise additional equity capital. Any such future sales would dilute your ownership interest in our company. In addition, the market price of our common stock could decline as a result of sales of a large number of shares or similar securities in the market or the perception that such sales could occur.

We have $389.5 million principal amount of 9% Convertible Junior Subordinated Debentures outstanding. The principal amount of the debentures is currently convertible, at the holder's option, at an initial conversion rate, which is subject to adjustment, of 74.0741 common shares per $1,000 principal amount of debentures. This represents an initial conversion price of approximately $13.50 per share. We have the right, and may elect, to defer interest payable under the debentures in the future. If a holder elects to convert its debentures, the interest that has been deferred on the debentures being converted is also converted into shares of our common stock. The conversion rate for such deferred interest is based on the average price that our shares traded at during a 5-day period immediately prior to the election to convert the associated debentures. We also have $345 million principal amount of 5% Convertible Senior Notes outstanding. The Senior Notes are convertible, at the holder's option, at an initial conversion rate, which is subject to adjustment, of 74.4186 shares per $1,000 principal amount at any time prior to the maturity date. This represents an initial conversion price of approximately $13.44 per share. We do not have the right to defer interest on these Senior Notes.

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

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, or other changes to our customers' capital requirements, may discourage the use of mortgage insurance.

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee") developed the Basel Capital Accord (Basel I), which set out international benchmarks for assessing banks' capital adequacy requirements. In June 2005, the Basel Committee issued an update to Basel I (as revised in November 2005, Basel II). Basel II was implemented by many banks in the United States and many other countries in 2009 and 2010. Basel II 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, or other changes to our customers' capital requirements, 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.

The discussion above does not reflect the release by the Basel Committee in December 2010 of the nearly final version of Basel III or the subsequent guidance issued. Basel III will increase the capital requirements of certain banking organizations. Implementation of Basel III will require formal regulations, which have not yet been proposed by the federal banking agencies and will involve a substantial phase-in period. We are continuing to evaluate the potential effects of the Basel III guidelines on our business.

Our Australian operations may suffer significant losses.

We committed significant resources to begin international operations, primarily in Australia, where we started to write business in June 2007. Since 2008, we are no longer writing new business in Australia and we have reduced our headcount. Our existing risk in force in Australia is subject to the risks described in the general economic and insurance business-related factors discussed above. In addition to these risks, we are subject to a number of other risks from having deployed capital in Australia, including foreign currency exchange rate fluctuations and interest-rate volatility particular to Australia.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
	(Unaudited) (In thousands, except per share data)			
Net premiums written	$ 263,773	$ 271,409	$ 1,064,380	$ 1,101,795
Net premiums earned	$ 275,741	$ 291,125	$ 1,123,835	$ 1,168,747
Investment income	40,339	57,061	201,270	247,253
Realized gains, net	104,530	13,401	143,430	102,581
Total other-than-temporary impairment losses	(462)	(3,592)	(715)	(9,644)
Portion of loss recognized in other comprehensive income (loss), before taxes	-	-	-	-
Net impairment losses recognized in earnings	(462)	(3,592)	(715)	(9,644)
Other revenue	26,842	3,080	36,459	11,588
Total revenues	446,990	361,075	1,504,279	1,520,525
Losses and expenses:				
Losses incurred	482,070	448,375	1,714,707	1,607,541
Change in premium deficiency reserve	(11,709)	(18,275)	(44,150)	(51,347)
Underwriting and other expenses, net	50,680	53,541	214,750	225,142
Interest expense	25,142	25,770	103,271	98,589
Total losses and expenses	546,183	509,411	1,988,578	1,879,925
Loss before tax	(99,193)	(148,336)	(484,299)	(359,400)
Provision for income taxes	36,101	38,331	1,593	4,335
Net Loss	$ (135,294)	$ (186,667)	$ (485,892)	$ (363,735)
Diluted weighted average common shares outstanding	201,125	200,077	201,019	176,406
Diluted loss per share	$ (0.67)	$ (0.93)	$ (2.42)	$ (2.06)

NOTE: See "Certain Non-GAAP Financial Measures" for diluted earnings per share contribution from realized gains and losses.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF

		December 31, 2011		December 31, 2010		December 31, 2009
				(Unaudited)		
				(In thousands, except per share data)		
ASSETS						
Investments (1)	$	5,823,647	$	7,458,282	$	7,254,465
Cash and cash equivalents		995,799		1,304,154		1,185,739
Reinsurance recoverable on loss reserves (2)		154,607		275,290		332,227
Prepaid reinsurance premiums		1,617		2,637		3,554
Home office and equipment, net		28,145		28,638		29,556
Deferred insurance policy acquisition costs		7,505		8,282		9,022
Other assets		204,910		256,359		589,856
	$	7,216,230	$	9,333,642	$	9,404,419
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities:						
Loss reserves (2)	$	4,557,512	$	5,884,171	$	6,704,990
Unearned premiums		154,866		215,157		280,738
Premium deficiency reserve		134,817		178,967		193,186
Senior notes		170,515		376,329		377,098
Convertible senior notes		345,000		345,000		-
Convertible junior debentures		344,422		315,626		291,785
Other liabilities		312,283		349,337		254,041
Total liabilities		6,019,415		7,664,587		8,101,838
Shareholders' equity		1,196,815		1,669,055		1,302,581
	$	7,216,230	$	9,333,642	$	9,404,419
Book value per share (3)	$	5.95	$	8.33	$	10.41
(1) Investments include net unrealized gains on securities		120,087		88,424		159,733
(2) Loss reserves, net of reinsurance recoverable on loss reserves		4,402,905		5,608,881		6,372,763
(3) Shares outstanding		201,172		200,450		125,101

CERTAIN NON-GAAP FINANCIAL MEASURES

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
	(Unaudited) (In thousands, except per share data)			
Diluted earnings per share contribution from realized gains (losses):				
Realized gains and impairment losses	$ 104,068	$ 9,809	$ 142,715	$ 92,937
Income taxes at 35% (1)	-	-	-	-
After tax realized gains	104,068	9,809	142,715	92,937
Weighted average shares	201,125	200,077	201,019	176,406
Diluted EPS contribution from realized gains and impairment losses	$ 0.52	$ 0.05	$ 0.71	$ 0.53

(1) Due to the establishment of a valuation allowance, income taxes provided are not currently affected by realized gains or losses.
Management believes the diluted earnings per share contribution from realized gains or losses provides useful information to investors because it shows the after-tax effect of these items, which can be discretionary.

Additional Information

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
New primary insurance written (NIW) (billions)	$ 3.5	$ 4.2	$ 3.0	$ 3.1	$ 3.9	$ 4.2
New primary risk written (billions)	$ 0.8	$ 1.0	$ 0.7	$ 0.8	$ 1.0	$ 1.0
Product mix as a % of primary flow NIW						
>95% LTVs	1%	1%	1%	2%	2%	2%
ARMs	1%	1%	1%	1%	1%	1%
Refinances	31%	46%	37%	16%	20%	39%
Primary Insurance In Force (IIF) (billions) (1)	$ 196.9	$ 191.3	$ 186.9	$ 182.4	$ 179.0	$ 172.9
Flow	$ 172.6	$ 168.0	$ 164.3	$ 160.9	$ 158.3	$ 153.5
Bulk	$ 24.3	$ 23.3	$ 22.6	$ 21.5	$ 20.7	$ 19.4
Prime (620 & >)	$ 163.5	$ 159.5	$ 156.4	$ 153.3	$ 150.9	$ 146.3
A minus (575 - 619)	$ 11.7	$ 11.2	$ 10.8	$ 10.4	$ 10.1	$ 9.7
Sub-Prime (< 575)	$ 3.0	$ 2.9	$ 2.8	$ 2.7	$ 2.7	$ 2.6
Reduced Doc (All FICOs)	$ 18.7	$ 17.7	$ 16.9	$ 16.0	$ 15.3	$ 14.3
Annual Persistency	85.7%	84.4%	83.7%	83.3%	83.7%	82.9%
Primary Risk In Force (RIF) (billions) (1)	$ 50.4	$ 49.0	$ 47.9	$ 46.8	$ 46.0	$ 44.5
Prime (620 & >)	$ 41.3	$ 40.3	$ 39.6	$ 38.9	$ 38.3	$ 37.2
A minus (575 - 619)	$ 3.2	$ 3.1	$ 2.9	$ 2.8	$ 2.7	$ 2.6
Sub-Prime (< 575)	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 0.8
Reduced Doc (All FICOs)	$ 5.1	$ 4.8	$ 4.6	$ 4.3	$ 4.2	$ 3.9
RIF by FICO						
FICO 620 & >	91.2%	91.3%	91.4%	91.5%	91.5%	91.5%
FICO 575 - 619	6.9%	6.8%	6.7%	6.6%	6.6%	6.6%
FICO < 575	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Average Coverage Ratio (RIF/IIF) (1)						
Total	25.6%	25.6%	25.6%	25.6%	25.7%	25.7%
Prime (620 & >)	25.3%	25.3%	25.3%	25.3%	25.4%	25.4%
A minus (575 - 619)	27.1%	27.1%	27.1%	27.1%	27.2%	27.3%
Sub-Prime (< 575)	28.7%	28.8%	28.7%	28.8%	28.8%	28.9%
Reduced Doc (All FICOs)	27.2%	27.2%	27.2%	27.1%	27.3%	27.2%
Average Loan Size (thousands) (1)						
Total IIF	$ 155.78	$ 155.70	$ 156.01	$ 156.22	$ 156.79	$ 158.59
Flow	$ 154.14	$ 154.25	$ 154.70	$ 155.13	$ 155.72	$ 157.87
Bulk	$ 168.51	$ 167.07	$ 166.25	$ 164.89	$ 165.42	$ 164.55
Prime (620 & >)	$ 154.90	$ 155.05	$ 155.55	$ 156.03	$ 156.55	$ 158.87
A minus (575 - 619)	$ 131.21	$ 130.36	$ 129.97	$ 129.57	$ 130.60	$ 130.70
Sub-Prime (< 575)	$ 117.73	$ 117.41	$ 117.09	$ 116.73	$ 120.73	$ 121.13
Reduced Doc (All FICOs)	$ 199.36	$ 198.00	$ 197.27	$ 195.71	$ 196.26	$ 194.06
Primary IIF - # of loans (1)	1,263,952	1,228,315	1,197,950	1,167,476	1,141,442	1,090,086
Prime (620 & >)	1,055,731	1,028,507	1,005,244	982,658	964,011	921,112
A minus (575 - 619)	89,414	86,036	83,062	80,231	77,548	74,036
Sub-Prime (< 575)	25,146	24,378	23,647	22,958	22,252	21,391
Reduced Doc (All FICOs)	93,661	89,394	85,997	81,629	77,631	73,547

	Q3 2010		Q4 2010		Q1 2011		Q2 2011		Q3 2011		Q4 2011	
Primary IIF - Delinquent Roll Forward - # of Loans												
Beginning Delinquent Inventory	228,455		223,373		214,724		195,885		184,452		180,894	
Plus: New Notices	53,134		50,361		43,195		39,972		44,342		41,796	
Less: Cures	(43,326)		(43,191)		(45,639)		(35,832)		(34,335)		(33,837)	
Less: Paids (including those charged to a deductible or captive)	(11,722)		(12,257)		(13,466)		(13,553)		(12,033)		(12,086)	
Less: Rescissions and denials	(3,168)		(3,562)		(2,929)		(2,020)		(1,532)		(1,128)	
Ending Delinquent Inventory	223,373		214,724		195,885		184,452		180,894		175,639	
Primary claim received inventory included in ending delinquent inventory	21,306		20,898		17,686		14,504		13,799		12,610	
Composition of Cures												
Reported delinquent and cured intraquarter	11,438		10,928		14,340		8,996		10,240		9,333	
Number of payments delinquent prior to cure												
3 payments or less	15,431		16,260		18,438		14,457		12,663		13,883	
4-11 payments	11,753		10,520		8,861		7,952		6,840		6,298	
12 payments or more	4,704		5,483		4,000		4,427		4,592		4,323	
Total Cures in Quarter	43,326		43,191		45,639		35,832		34,335		33,837	
Composition of Paids												
Number of payments delinquent at time of claim payment												
3 payments or less	17		9		14		26		55		38	
4-11 payments	1,224		1,227		1,663		1,848		1,317		1,600	
12 payments or more	10,481		11,021		11,789		11,679		10,661		10,448	
Total Paids in Quarter	11,722		12,257		13,466		13,553		12,033		12,086	
Aging of Primary Delinquent Inventory												
Consecutive months in default												
3 months or less	39,516	18%	37,640	18%	27,744	14%	30,107	16%	33,167	18%	31,456	18%
4-11 months	60,472	27%	58,701	27%	57,319	29%	48,148	26%	45,110	25%	46,352	26%
12 months or more	123,385	55%	118,383	55%	110,822	57%	106,197	58%	102,617	57%	97,831	56%
Number of payments delinquent												
3 payments or less	52,056	23%	51,003	24%	40,680	21%	40,968	22%	43,312	24%	42,804	24%
4-11 payments	70,681	32%	65,797	31%	61,060	31%	51,523	28%	47,929	26%	47,864	27%
12 payments or more	100,636	45%	97,924	45%	94,145	48%	91,961	50%	89,653	50%	84,971	49%
Primary IIF - # of Delinquent Loans (1)	223,373		214,724		195,885		184,452		180,894		175,639	
Flow	169,259		162,621		147,267		139,032		137,084		134,101	
Bulk	54,114		52,103		48,618		45,420		43,810		41,538	
Prime (620 & >)	139,270		134,787		123,046		115,980		114,828		112,403	
A minus (575 - 619)	32,843		31,566		28,073		26,878		26,600		25,989	
Sub-Prime (< 575)	11,465		11,132		10,053		9,725		9,562		9,326	
Reduced Doc (All FICOs)	39,795		37,239		34,713		31,869		29,904		27,921	
Primary IIF Delinquency Rates (1)	17.67%		17.48%		16.35%		15.80%		15.85%		16.11%	
Flow	15.11%		14.94%		13.87%		13.40%		13.49%		13.79%	
Bulk	37.58%		37.36%		35.81%		34.91%		35.02%		35.33%	
Prime (620 & >)	13.19%		13.11%		12.24%		11.80%		11.91%		12.20%	
A minus (575 - 619)	36.73%		36.69%		33.80%		33.50%		34.30%		35.10%	
Sub-Prime (< 575)	45.59%		45.66%		42.51%		42.36%		42.97%		43.60%	
Reduced Doc (All FICOs)	42.49%		41.66%		40.37%		39.04%		38.52%		37.96%	

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Reserves						
Primary (2)						
Direct Loss Reserves (millions)	$ 5,460	$ 5,146	$ 4,766	$ 4,504	$ 4,403	$ 4,249
Average Direct Reserve Per Default	$ 24,444	$ 23,966	$ 24,331	$ 24,416	$ 24,342	$ 24,193
Pool						
Direct Loss Reserves (millions)	$ 712	$ 730	$ 697	$ 570	$ 379	$ 299
Ending Delinquent Inventory	43,168	43,329	40,769	36,552	33,792	32,971
Pool claim received inventory included in ending delinquent inventory	2,196	2,510	2,615	1,836	1,345	1,398
Other Gross Reserves (millions) (6)	$ 7	$ 8	$ 8	$ 9	$ 10	$ 10
Net Paid Claims (millions) (1) (3)	$ 588	$ 631	$ 687	$ 818	$ 751	$ 704
Flow	$ 448	$ 487	$ 540	$ 562	$ 475	$ 484
Bulk	$ 123	$ 111	$ 106	$ 115	$ 137	$ 135
Pool - with aggregate loss limits	$ 48	$ 49	$ 69	$ 167	$ 138	$ 90
Pool - without aggregate loss limits	$ 1	$ 2	$ 3	$ 3	$ 6	$ 4
Reinsurance	$ (51)	$ (36)	$ (48)	$ (44)	$ (20)	$ (28)
Other (6)	$ 19	$ 18	$ 17	$ 15	$ 15	$ 19
Reinsurance terminations (3)	$ (35)	$ (3)	$ (1)	$ (2)	$ (36)	$ -
Prime (620 & >)	$ 368	$ 405	$ 451	$ 472	$ 419	$ 430
A minus (575 - 619)	$ 63	$ 70	$ 76	$ 77	$ 68	$ 62
Sub-Prime (< 575)	$ 19	$ 17	$ 19	$ 20	$ 17	$ 14
Reduced Doc (All FICOs)	$ 121	$ 106	$ 100	$ 108	$ 108	$ 113
Primary Average Claim Payment (thousands) (1)	$ 48.8	$ 48.8	$ 47.9	$ 49.9	$ 50.9	$ 51.1
Flow	$ 46.6	$ 46.2	$ 45.9	$ 47.9	$ 48.0	$ 48.3
Bulk	$ 59.1	$ 64.3	$ 61.7	$ 62.3	$ 64.2	$ 64.5
Prime (620 & >)	$ 46.1	$ 47.0	$ 46.7	$ 48.3	$ 49.5	$ 49.6
A minus (575 - 619)	$ 42.7	$ 44.8	$ 43.2	$ 46.0	$ 46.1	$ 44.3
Sub-Prime (< 575)	$ 43.8	$ 42.7	$ 42.8	$ 46.7	$ 43.9	$ 40.7
Reduced Doc (All FICOs)	$ 67.3	$ 63.1	$ 61.9	$ 63.0	$ 63.9	$ 66.8
Risk sharing Arrangements - Flow Only						
% insurance inforce subject to risk sharing	18.4%	17.8%	17.2%	16.8%	14.4%	13.8%
% Quarterly NIW subject to risk sharing	5.4%	5.8%	5.3%	4.8%	5.6%	5.3%
Premium ceded (millions)	$ 15.5	$ 14.2	$ 13.7	$ 13.3	$ 11.4	$ 9.9
Captive trust fund assets (millions) (3)	$ 540	$ 510	$ 486	$ 451	$ 392	$ 386
Captive Reinsurance Ceded Losses Incurred - Flow Only (millions)	$ 40.2	$ 19.4	$ 11.8	$ 12.9	$ 17.4	$ 15.5
Active excess of Loss						
Book Year						
2005	$ 4.4	$ 5.4	$ 1.8	$ 2.3	$ 4.4	$ 3.5
2006	$ 3.1	$ 2.9	$ 1.4	$ 0.7	$ 1.6	$ 1.5
2007	$ 5.0	$ 5.3	$ 2.8	$ 0.7	$ 0.9	$ 0.8
2008	$ 2.7	$ 2.0	$ 1.8	$ 2.2	$ 2.3	$ 1.8
Active quota Share						
Book Year						
2005	$ 3.7	$ 0.8	$ 0.9	$ 1.3	$ 1.0	$ 1.4
2006	$ 5.3	$ -	$ 0.3	$ 1.4	$ 1.2	$ 1.5
2007	$ 13.6	$ 2.3	$ 3.0	$ 2.5	$ 4.2	$ 4.3
2008	$ 2.9	$ (0.1)	$ (0.2)	$ 1.5	$ 1.1	$ 0.6
2009	$ 0.1	$ -	$ -	$ -	$ -	$ 0.1
Terminated agreements	$ (0.6)	$ 0.8	$ -	$ 0.3	$ 0.7	$ -

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Direct Pool RIF (millions)						
With aggregate loss limits	$ 1,219	$ 1,154	$ 1,078	$ 905	$ 770	$ 674
Without aggregate loss limits	$ 1,681	$ 1,532	$ 1,398	$ 1,324	$ 1,260	$ 1,177
Mortgage Guaranty Insurance Corporation - Risk to Capital	17.7:1	19.8:1	19.7:1	20.4:1	22.2:1	20.3:1(4)
Combined Insurance Companies - Risk to Capital	20.6:1	23.2:1	23.0:1	23.4:1	24.0:1	22.2:1(4)
GAAP loss ratio (insurance operations only) (5)	129.7%	154.0%	107.6%	161.6%	168.2%	174.8%
GAAP expense ratio (insurance operations only)	16.6%	15.4%	16.2%	16.5%	16.4%	14.9%

Note: For the information presented for the third quarter of 2010, the FICO credit score for a loan with multiple borrowers is the lowest of the borrowers' "decision FICO scores." For the information presented in the second quarter of 2010 and before, the FICO score for a loan with multiple borrowers was the income weighted average of the "decision FICO scores" for each borrower. A borrower's "decision FICO score" is determined as follows: if there are three FICO scores available, the middle FICO score is used; if two FICO scores are available, the lower of the two is used; if only one FICO score is available, it is used. This change made our reporting consistent with the FICO credit scores that we use for underwriting purposes.

Note: During the 4th quarter of 2011 we conducted a review of our single life of loan policies and concluded that approximately 21,000 of these policies were no longer in force, and as a result we canceled these policies with insurance in force of approximately $2.3 billion and risk in force of approximately $0.5 billion. It may be possible that some of these policies will be reinstated based on information subsequently provided by our customers.

Note: The results of our operations in Australia are included in the financial statements in this document but the additional information in this document does not include our Australian operations, unless otherwise noted, which are immaterial.

(1) In accordance with industry practice, loans approved by GSE and other automated underwriting (AU) systems under "doc waiver" programs that do not require verification of borrower income are classified by MGIC as "full doc." Based in part on information provided by the GSEs, MGIC estimates full doc loans of this type were approximately 4% of 2007 NIW. Information for other periods is not available. MGIC understands these AU systems grant such doc waivers for loans they judge to have higher credit quality. MGIC also understands that the GSEs terminated their "doc waiver" programs in the second half of 2008. Reduced documentation loans only appear in the reduced documentation category and do not appear in any of the other categories.

(2) In periods prior to the fourth quarter of 2010 an estimate of premium to be refunded in conjunction with claim payments was included in Loss Reserves. In the fourth quarter of 2010, we reclassified this liability to Other Liabilities and Premium Deficiency Reserve on the Balance Sheet. The reclassification of amounts related to prior periods approximated $92.0 million.

(3) Net paid claims, as presented, does not include amounts received in conjunction with termination of reinsurance agreements. In a termination, the agreement is cancelled, with no future premium ceded and funds for any incurred but unpaid losses transferred to us. The transferred funds result in an increase in the investment portfolio (including cash and cash equivalents) and there is a corresponding decrease in reinsurance recoverable on loss reserves. This results in an increase in net loss reserves, which is offset by a decrease in net losses paid.

(4) Preliminary

(5) As calculated, does not reflect any effects due to premium deficiency.

(6) Includes Australian operations

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI) STATE OF WISCONSIN

In the matter of
Mortgage Guaranty Insurance Corporation,
MGIC Reinsurance Corporation, and
MGIC Reinsurance Corporation of Wisconsin,

Respondents.

STIPULATION AND ORDER

Case No. 11-C33951

WHEREAS, Mortgage Guaranty Insurance Corporation ("Respondent MGIC"), MGIC Reinsurance Corporation ("Respondent MGIC Re"), and MGIC Reinsurance Corporation of Wisconsin ("Respondent MGIC Re of WI"), each located at 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (collectively, the "Respondents"), are subject to the jurisdiction and control of the Office of the Commissioner of Insurance (the "Commissioner") in the state of Wisconsin; and

WHEREAS, MGIC Investment Corporation owns, directly or indirectly, all of the outstanding common stock of the Respondents; and

WHEREAS, s. 623.11, Wis. Stat., provides that the Commissioner shall, when necessary, determine the amount of compulsory surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41(4), Wis. Stat., as an amount that will provide reasonable security against contingencies affecting the insurer's financial position that are not fully covered by reserves or by reinsurance, and that such a determination may or may not involve an amount of compulsory surplus below which the insurer must cease transacting new business; and

WHEREAS, the Commissioner and Respondents have entered into this stipulation and order as a condition of the Commissioner adjusting the compulsory surplus applicable to Respondents under s. Ins 3.09, Wis. Adm. Code;

NOW, THEREFORE, Respondents and MGIC Investment Corporation and the Commissioner do agree and stipulate to the following terms and conditions:

(1) The element of compulsory surplus represented by s. Ins 3.09(5) (b), Wis. Adm. Code, shall not apply to Respondents from the date of this order until December 31, 2013, so that Respondent MGIC may continue to write new mortgage guaranty insurance policies and Respondent MGIC Re and Respondent MGIC Re of WI may continue to reinsure mortgage guaranty insurance policies issued by Respondent MGIC although Respondents do not have the MPP required by s. Ins 3.09, Wis. Adm. Code. From time-to-time, in the Commissioner's sole discretion, the Commissioner may undertake a review of the facts and circumstances of the Respondents' business and interests for the purpose of terminating, extending, or modifying this Stipulation and Order in a manner consistent with the interests of insureds, creditors, and the public generally.

(2) While this Stipulation and Order is in effect, and in place of s. Ins 3.09(5)(b), Wis. Adm. Code, Respondents may continue to write and reinsure new mortgage guaranty insurance policies for as long as each Respondent maintains a policyholders position which provides reasonable security against contingencies affecting each Respondent's financial position that are not fully covered by reserves or reinsurance, such that the Commissioner may continue to determine that each Respondent's policyholders position is reasonably in excess of a level that would constitute a financially hazardous condition. If MGIC Investment Corporation fails to make any contribution required under either paragraph (5) or paragraph (6), Respondent MGIC shall not be in compliance with this Stipulation and Order.

(3) The Commissioner may retain consultants, including accountants, attorneys, investment bankers, and other experts to assist the Commissioner in the Commissioner's assessment of each Respondent's financial condition, its exposure to loss claims, credit risk, liquidity risk, rating risk and other risks and the evaluation of reporting information submitted by Respondents and Respondents agree to bear the cost of retaining such experts.

(4) Respondent MGIC shall contribute Two Hundred Million Dollars ($200,000,000) to its wholly-owned subsidiary MGIC Indemnity Corporation on or before January 31, 2012.

(5) During the period commencing on January 1, 2012 and ending on the earlier of the date that this Stipulation and Order is terminated by the Commissioner or December 31, 2013 (the "Covered Period"), MGIC Investment Corporation shall make one or more cash equity contributions to Respondent MGIC as may be necessary for Respondent MGIC to maintain minimum liquid assets of One Billion Dollars ($1,000,000,000) at all times (the "Minimum Liquid Asset Amount"). For the purposes hereof, liquid assets means the sum of (i) the aggregate cash and cash equivalents, (ii) fair market value of investments and (iii) assets held in captive trusts, of each of (a) Respondent MGIC Re (b) MGIC Mortgage Reinsurance Corporation, (c) MGIC Residential Reinsurance Corporation and (d) Respondent MGIC when consolidated with its direct and indirect subsidiaries excluding (i) MGIC Indemnity Corporation, (ii) MIC Reinsurance Corporation and (iii) MIC Reinsurance Corporation of Wisconsin.

(6) Within 15 days of the date that Respondent MGIC lacks the required Minimum Liquid Asset Amount at any time during the Covered Period, MGIC Investment Corporation shall make an equity contribution to Respondent MGIC in order to cure the deficiency and immediately notify OCI of such action in writing.

(7) For purposes of this Stipulation and Order, the application of the Wisconsin Statutes and the Wisconsin Administrative Code are not modified except as explicitly stated herein. Furthermore, this Stipulation and Order supersedes the Stipulation and Order dated December 2, 2009 in OCI Case No. 09-C32599, but does not supersede or amend any other approval, order, memorandum, or agreement issued by or entered into with the Commissioner.

(8) Respondents and MGIC Investment Corporation and the Commissioner agree that this Stipulation and Order is not being entered in consequence of any violation of law or for the purpose of imposing a penalty or a specific course of remedial action, but rather as an exercise of the Commissioner's authority and obligation to determine, when necessary, the amount of compulsory surplus an insurer is required to have under s. 623.11, Wis. Stat.

(9) Respondents and MGIC Investment Corporation consent to this Order and agree that this Stipulation is made without reservation and constitutes a waiver of rights including a hearing, confrontation and cross-examination of witnesses, production of evidence, a motion for costs, and judicial review. The Commissioner may enforce this Stipulation and Order. The Commissioner may modify, extend or terminate this Stipulation and Order with respect to the Respondents in his sole discretion with written notice to Respondents and MGIC Investment Corporation. The Commissioner may terminate this Stipulation and Order with respect to MGIC Investment Corporation in his sole discretion with written notice to Respondents and MGIC Investment Corporation. Any change in the obligations of MGIC Investment Corporation under this Stipulation and Order shall require the written consent of MGIC Investment Corporation.

January 23, 2012	/s/ Rebecca L. Easland
Date	Rebecca L. Easland, Director Bureau of Financial Analysis and Examinations
January 23, 2012	/s/ Curt S. Culver
Date	Curt S. Culver Chairman and Chief Executive Officer Mortgage Guaranty Insurance Corporation MGIC Reinsurance Corporation MGIC Reinsurance Corporation of Wisconsin
January 23, 2012	/s/ Curt S. Culver
Date	Curt S. Culver Chairman and Chief Executive Officer MGIC Investment Corporation

ORDER

NOW, THEREFORE, based upon consideration of the Stipulation in this matter, I hereby order that:

(10) Respondents and MGIC Investment Corporation shall comply with their agreements as recited in this Stipulation.

(11) The application of the Wisconsin Statutes and the Wisconsin Administrative Code other than s. Ins 3.09 (5), Wis. Adm. Code, including but not limited to the provisions of the Wisconsin Statutes and the Wisconsin Administrative Code that give the Commissioner authority to issue other orders directed to Respondents and MGIC Investment Corporation, are not affected by this Stipulation and Order.

(12) Any report provided to the Commissioner or demanded by the Commissioner pursuant to this Stipulation and Order shall be required under s. 601.42, Wis. Stat., and under this Stipulation and Order.

(13) This Order shall continue until December 31, 2013, unless modified, extended or terminated by the Commissioner, with written notice to the Respondents and MGIC Investment Corporation. Any modification or extension of the obligations of MGIC Investment Corporation under this Stipulation and Order shall require the written consent of MGIC Investment Corporation.

Dated at Madison, Wisconsin, this ___23rd_____ day of ___January, 2012___

/s/ Theodore K. Nickel

Theodore K. Nickel
Commissioner of Insurance

EXHIBIT 99.3

FannieMae

Michael A. Shaw

Executive Vice President
Chief Credit Officer

3900 Wisconsin Avenue, NW
Washington, DC 20016-2892
202 752 3394
202 752 0911 (fax)
michael_a_shaw@fanniemae.com

January 23, 2012

MGIC Indemnity Corporation
Mortgage Guaranty Insurance Corporation
MGIC Investment Corporation
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202
Attn: Curt Culver

Ladies and Gentlemen:

You have requested that Federal National Mortgage Association ("*Fannie Mae*") extend the conditional approval granted to MGIC Indemnity Corporation, a Wisconsin mortgage guaranty insurance company ("*MIC*") by Fannie Mae pursuant to the letter agreement dated October 14, 2009 (the "*Approval Letter Agreement*") from Fannie Mae to MIC, Mortgage Guaranty Insurance Company ("*MGIC*") and MGIC Investment Corporation ("*Investment*"), to act as a direct issuer of mortgage guaranty insurance policies under the Fannie Mae Qualified Mortgage Insurer Approval Requirements in certain specified states. Effective as of the date hereof, and subject to the terms and conditions set forth below and in the Approval Letter Agreement and consistent with the Proposal (as defined in the Approval Letter Agreement), Fannie Mae hereby extends its conditional approval of MIC as a direct issuer of mortgage guaranty insurance until December 31, 2013 (the "*Term")*, at which time such conditional approval will automatically terminate, unless extended in writing by Fannie Mae prior thereto. The conditional approval granted by Fannie Mae herein is subject to, and expressly conditioned upon, the continued compliance by MIC, MGIC and Investment with each of the conditions set forth below (the "*Extension Conditions*"), the Approval Conditions and the Requirements (each as defined in the Approval Letter Agreement). In the event that any of the Extension Conditions, Approval Conditions or Requirements are not met and maintained, Fannie Mae reserves the right to withdraw this conditional approval and immediately suspend or terminate MGIC or MIC in its sole and absolute discretion.

1. While the Extension Conditions, Approval Conditions and the Requirements are in effect, MIC shall, and MGIC shall cause MIC to, remain a wholly-owned, direct subsidiary of MGIC.

2. The draft Stipulation and Order from the Office of the Commissioner of Insurance of the State of Wisconsin ("*OCI*"), currently numbered Case No. 11-C33951 and attached hereto as <u>Exhibit I</u> (the "*Order*") shall be issued prior to January 31, 2012 under a new case number, if necessary, by the OCI and remain in full force and effect throughout the Term; <u>provided</u>, that if OCI or any other governmental entity amends or terminates Investment's obligations pursuant to paragraphs 5 or 6 of the Order, Fannie Mae may, in its sole and absolute discretion, terminate the conditional approval granted hereunder, effective immediately.

3. Within the forty-five (45) days preceding the date hereof, Investment and its affiliates shall have contributed $200,000,000 to MGIC. Pursuant to and in accordance with paragraph 4 of the Order, MGIC shall contribute $200,000,000 to MIC. Following MGIC's contribution to MIC described in the preceding sentence, Fannie Mae and MGIC may, from time to time, review MGIC and MIC's risk to capital ratios to determine if MIC requires additional capital contributions. While the Extension Conditions are in effect, the decision to make any additional capital contribution, the amount of such contribution, the identity of any assets to be contributed and the fair market value of such assets shall be mutually agreed upon between MGIC and Fannie Mae. MGIC further agrees that upon disposition of any of the assets listed in the Side Letter (as defined in the Approval Letter Agreement), all proceeds from any such disposition shall remain in or be immediately deposited into or contributed to MGIC.

The Approval Letter Agreement and the Side Letter are incorporated herein in their entirety by reference; provided, that the date of "December 31, 2011" in the third sentence of the Side Letter shall be "December 31, 2013" and the term of the Approval Letter Agreement shall be such term as extended hereby.

Unless otherwise earlier revoked, Fannie Mae's conditional approval of MIC granted hereby, the Extension Conditions, Approval Conditions, Requirements and other terms of this agreement shall terminate on December 31, 2013. Thereafter, whether MIC will continue to be approved as a direct issuer of mortgage guaranty insurance policies will be determined under the Requirements as then in effect.

[Remainder of page intentionally left blank]

Very truly yours,

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: /s/ Michael A. Shaw
Name: Michael A. Shaw
Title: Executive Vice President Chief Credit Officer

Confirmed and accepted
As of January 23, 2012

MGIC INDEMNITY CORPORATION

By: /s/ Curt S. Culver
Name: Curt S. Culver
Title: Chairman and Chief Executive Officer

MORTGAGE GUARANTY INSURANCE CORPORATION

By: /s/ Curt S. Culver
Name: Curt S. Culver
Title: Chairman and Chief Executive Officer

MGIC INVESTMENT CORPORATION

By: /s/ Curt S. Culver
Name: Curt S. Culver
Title: Chairman and Chief Executive Officer

Exhibit I

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI) STATE OF WISCONSIN

In the matter of
Mortgage Guaranty Insurance Corporation,
MGIC Reinsurance Corporation, and
MGIC Reinsurance Corporation of Wisconsin,

Respondents.

STIPULATION AND ORDER

Case No. 11-C33951

WHEREAS, Mortgage Guaranty Insurance Corporation ("Respondent MGIC"), MGIC Reinsurance Corporation ("Respondent MGIC Re"), and MGIC Reinsurance Corporation of Wisconsin ("Respondent MGIC Re of WI"), each located at 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (collectively, the "Respondents"), are subject to the jurisdiction and control of the Office of the Commissioner of Insurance (the "Commissioner") in the state of Wisconsin; and

WHEREAS, MGIC Investment Corporation owns, directly or indirectly, all of the outstanding common stock of the Respondents; and

WHEREAS, s. 623.11, Wis. Stat., provides that the Commissioner shall, when necessary, determine the amount of compulsory surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41(4), Wis. Stat., as an amount that will provide reasonable security against contingencies affecting the insurer's financial position that are not fully covered by reserves or by reinsurance, and that such a determination may or may not involve an amount of compulsory surplus below which the insurer must cease transacting new business; and

WHEREAS, the Commissioner and Respondents have entered into this stipulation and order as a condition of the Commissioner adjusting the compulsory surplus applicable to Respondents under s. Ins 3.09, Wis. Adm. Code;

NOW, THEREFORE, Respondents and MGIC Investment Corporation and the Commissioner do agree and stipulate to the following terms and conditions:

(1) The element of compulsory surplus represented by s. Ins 3.09(5) (b), Wis. Adm. Code, shall not apply to Respondents from the date of this order until December 31, 2013, so that Respondent MGIC may continue to write new mortgage guaranty insurance policies and Respondent MGIC Re and Respondent MGIC Re of WI may continue to reinsure mortgage guaranty insurance policies issued by Respondent MGIC although Respondents do not have the MPP required by s. Ins 3.09, Wis. Adm. Code. From time-to-time, in the Commissioner's sole discretion, the Commissioner may undertake a review of the facts and circumstances of the Respondents' business and interests for the purpose of terminating, extending, or modifying this Stipulation and Order in a manner consistent with the interests of insureds, creditors, and the public generally.

(2) While this Stipulation and Order is in effect, and in place of s. Ins 3.09(5)(b), Wis. Adm. Code, Respondents may continue to write and reinsure new mortgage guaranty insurance policies for as long as each Respondent maintains a policyholders position which provides reasonable security against contingencies affecting each Respondent's financial position that are not fully covered by reserves or reinsurance, such that the Commissioner may continue to determine that each Respondent's policyholders position is reasonably in excess of a level that would constitute a financially hazardous condition. If MGIC Investment Corporation fails to make any contribution required under either paragraph (5) or paragraph (6), Respondent MGIC shall not be in compliance with this Stipulation and Order.

---

(3) The Commissioner may retain consultants, including accountants, attorneys, investment bankers, and other experts to assist the Commissioner in the Commissioner's assessment of each Respondent's financial condition, its exposure to loss claims, credit risk, liquidity risk, rating risk and other risks and the evaluation of reporting information submitted by Respondents and Respondents agree to bear the cost of retaining such experts.

(4) Respondent MGIC shall contribute Two Hundred Million Dollars ($200,000,000) to its wholly-owned subsidiary MGIC Indemnity Corporation on or before January 31, 2012.

(5) During the period commencing on January 1, 2012 and ending on the earlier of the date that this Stipulation and Order is terminated by the Commissioner or December 31, 2013 (the "Covered Period"), MGIC Investment Corporation shall make one or more cash equity contributions to Respondent MGIC as may be necessary for Respondent MGIC to maintain minimum liquid assets of One Billion Dollars ($1,000,000,000) at all times (the "Minimum Liquid Asset Amount"). For the purposes hereof, liquid assets means the sum of (i) the aggregate cash and cash equivalents, (ii) fair market value of investments and (iii) assets held in captive trusts, of each of (a) Respondent MGIC Re (b) MGIC Mortgage Reinsurance Corporation, (c) MGIC Residential Reinsurance Corporation and (d) Respondent MGIC when consolidated with its direct and indirect subsidiaries excluding (i) MGIC Indemnity Corporation, (ii) MIC Reinsurance Corporation and (iii) MIC Reinsurance Corporation of Wisconsin.

(6) Within 15 days of the date that Respondent MGIC lacks the required Minimum Liquid Asset Amount at any time during the Covered Period, MGIC Investment Corporation shall make an equity contribution to Respondent MGIC in order to cure the deficiency and immediately notify OCI of such action in writing.

(7) For purposes of this Stipulation and Order, the application of the Wisconsin Statutes and the Wisconsin Administrative Code are not modified except as explicitly stated herein. Furthermore, this Stipulation and Order supersedes the Stipulation and Order dated December 2, 2009 in OCI Case No. 09-C32599, but does not supersede or amend any other approval, order, memorandum, or agreement issued by or entered into with the Commissioner.

(8) Respondents and MGIC Investment Corporation and the Commissioner agree that this Stipulation and Order is not being entered in consequence of any violation of law or for the purpose of imposing a penalty or a specific course of remedial action, but rather as an exercise of the Commissioner's authority and obligation to determine, when necessary, the amount of compulsory surplus an insurer is required to have under s. 623.11, Wis. Stat.

(9) Respondents and MGIC Investment Corporation consent to this Order and agree that this Stipulation is made without reservation and constitutes a waiver of rights including a hearing, confrontation and cross-examination of witnesses, production of evidence, a motion for costs, and judicial review. The Commissioner may enforce this Stipulation and Order. The Commissioner may modify, extend or terminate this Stipulation and Order with respect to the Respondents in his sole discretion with written notice to Respondents and MGIC Investment Corporation. The Commissioner may terminate this Stipulation and Order with respect to MGIC Investment Corporation in his sole discretion with written notice to Respondents and MGIC Investment Corporation. Any change in the obligations of MGIC Investment Corporation under this Stipulation and Order shall require the written consent of MGIC Investment Corporation.

Date — Rebecca L. Easland, Director
Bureau of Financial Analysis and Examinations

Date — Curt S. Culver
Chairman and Chief Executive Officer
Mortgage Guaranty Insurance Corporation
MGIC Reinsurance Corporation
MGIC Reinsurance Corporation of Wisconsin

Date — Curt S. Culver
Chairman and Chief Executive Officer
MGIC Investment Corporation

ORDER

NOW, THEREFORE, based upon consideration of the Stipulation in this matter, I hereby order that:

(10) Respondents and MGIC Investment Corporation shall comply with their agreements as recited in this Stipulation.

(11) The application of the Wisconsin Statutes and the Wisconsin Administrative Code other than s. Ins 3.09 (5), Wis. Adm. Code, including but not limited to the provisions of the Wisconsin Statutes and the Wisconsin Administrative Code that give the Commissioner authority to issue other orders directed to Respondents and MGIC Investment Corporation, are not affected by this Stipulation and Order.

(12) Any report provided to the Commissioner or demanded by the Commissioner pursuant to this Stipulation and Order shall be required under s. 601.42, Wis. Stat., and under this Stipulation and Order.

(13) This Order shall continue until December 31, 2013, unless modified, extended or terminated by the Commissioner, with written notice to the Respondents and MGIC Investment Corporation. Any modification or extension of the obligations of MGIC Investment Corporation under this Stipulation and Order shall require the written consent of MGIC Investment Corporation.

Dated at Madison, Wisconsin, this ___________ day of ______________________________

____

Theodore K. Nickel
Commissioner of Insurance

<u>Approval Letter Agreement</u>

FannieMae

Michael A. Shaw

Executive Vice President
Chief Credit Officer

3900 Wisconsin Avenue, NW
Washington, DC 20016-2892
202 752 3394
202 752 0911 (fax) michael_a_shaw@fanniemae.com

October 14, 2009

MGIC Indemnity Corporation
Mortgage Guaranty Insurance Corporation
MGIC Investment Corporation
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202
Attn: Curt Culver

Ladies and Gentlemen:

You have requested that Federal National Mortgage Association ("*Fannie Mae*") approve MGIC Indemnity Corporation, a Wisconsin mortgage guaranty insurance company ("*MIC*"), as a direct issuer of mortgage guaranty insurance policies under the Fannie Mae Qualified Mortgage Insurer Approval Requirements in certain states. Effective as of the date hereof, and subject to the terms and conditions set forth below and consistent with the proposal of Mortgage Guaranty Insurance Corporation, a Wisconsin mortgage guaranty insurance company ("*MGIC*"), attached hereto as Exhibit A (the *"Proposal"*), Fannie Mae hereby approves MIC as a direct issuer of mortgage guaranty insurance with its own distinct MI code. The conditional approval granted by Fannie Mae herein is subject to, and expressly conditioned upon, the continued compliance by MIC, MGIC and MGIC Investment Corporation ("*Investment*" and together with MIC and MGIC, the "*Companies*") with each of the conditions set forth below (the *"Approval Conditions"*) as well as Fannie Mae's Qualified Mortgage Insurer Approval Requirements, as amended from time to time (the "*Requirements*"). In the event that the Requirements or any of the below conditions are not met and maintained, Fannie Mae reserves the right to withdraw this conditional approval and immediately suspend or terminate MGIC or MIC in its sole and absolute discretion.

1. Within seven days of the acceptance of the terms and conditions of this letter by the Companies, MGIC shall make a contribution of cash or other liquid investments of no greater than $200,000,000 to MIC. Following MGIC's contribution described in the preceding sentence, Fannie Mae and MGIC may, from time to time, review MGIC and MIC's risk to capital ratios to determine if MIC requires additional capital contributions.

While the Approval Conditions are in effect, the decision to make any additional capital contribution, the amount of such contribution, the identity of any assets to be contributed and the fair market value of such assets shall be mutually agreed upon between MGIC and Fannie Mae. MGIC further agrees that upon disposition of any of the assets listed in the letter of even date herewith from Investment to Fannie Mae (the "Side Letter"), all proceeds from any such disposition shall remain in or be immediately deposited into or contributed to MGIC.

2. The Office of the Commissioner of Insurance of the State of Wisconsin (the "OCI") shall have granted MGIC a waiver in accordance with the Wisconsin Statutes or the Wisconsin Administrative Code, as amended, permitting MGIC to write new mortgage guaranty insurance policies subject to the conditions established by the OCI, which shall not be in conflict with any of the conditions set forth in this conditional approval, notwithstanding that MGIC's policyholders position is less than the minimum policyholders position required by the Wisconsin Statutes or the Wisconsin Administrative Code, as amended, for a mortgage guaranty insurer to write new business, which waiver shall remain in full force and effect (the "OCI Waiver"). Furthermore, MGIC shall request that MIC's risk to capital ratio not be restricted beyond the standard minimum policyholder position required by the Wisconsin Statutes or the Wisconsin Administrative Code, as amended.

3. In the event that MGIC anticipates that it shall be prohibited from writing new business in any Subject State (as defined below) for any period of time as a result of MGIC's failure to satisfy risk-to-capital ratios or other substantially equivalent minimum capital requirements applicable in such Subject State (collectively "Applicable Capital Requirements"), MGIC and MIC shall use and Investment shall cause each of MGIC and MIC to use commercially reasonable efforts to promptly obtain a waiver from the applicable insurance regulator for MGIC to continue to write new business in such Subject State, provided that such Subject State's applicable insurance statutes or regulations authorize the regulator to grant such a waiver. In the event that within a reasonable period of time necessary to avoid the interruption of business MGIC (i) fails to obtain relief from the Applicable Capital Requirements, or (ii) a waiver of Applicable Capital Requirements (a) includes conditions that differ substantially from the requirements contained in the OCI Waiver and (b) MGIC deems such conditions burdensome, the Companies shall provide prompt written notice to Fannie Mae, which notice shall identify the applicable Subject State and include a reasonably detailed description of the reason MGIC will no longer write new business in such Subject State and a copy of the correspondence with the Subject State denoting either the non waiver or burdensome conditions. As used herein, the term "*Subject States*" means Arizona, California, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Missouri, New York, New Jersey, North Carolina, Ohio, Oregon, Puerto Rico and Texas.

4. Fannie Mae's approval of MIC as a direct issuer of mortgage guaranty insurance shall be limited to Subject States in which MGIC fails to obtain relief from the Applicable Capital Requirements as described in paragraph 3 above. MIC will insure loans that (i) meet GSE (Fannie Mae, Freddie Mac, or Federal Home Loan Bank)

guidelines, (ii) Housing Finance Authority loans and, (iii) jumbo loans that meet GSE guidelines other than those relating to loan amount. In the event that MIC intends to insure loans that do not meet such guidelines, MIC shall provide Fannie Mae thirty (30) days' prior, written notice. For the avoidance of doubt, if MGIC is prohibited from writing new business in any state for any reason other than a failure to meet Applicable Capital Requirements, MIC shall not be so approved hereunder with respect to such state. Unless Fannie Mae otherwise agrees in writing, Fannie Mae's conditional approval of MIC as a direct issuer of mortgage guaranty insurance shall be automatically revoked with regard to any Subject State sixty (60) days after MGIC is permitted to resume writing new business in such Subject State. Such revocation shall apply to the issuance by MIC of new commitments for mortgage guaranty insurance and shall not affect MIC's ability to issue policies for commitments previously issued or to administer insurance policies previously issued in the Subject State.

5. Neither MGIC nor MIC shall take, and Investment shall cause MGIC and MIC not to take, any of the following actions while the Approval Conditions are in effect without the prior written consent of Fannie Mae:

a. Alter, amend, otherwise modify or enter into any reinsurance agreement, capital support agreement or other similar arrangement with any affiliate, other than as described in the Proposal;

b. Declare, pay or otherwise make any provision for the payment of any dividend, return of capital, capital distribution, or any other arrangements with respect to the securities of MGIC or MIC, including, without limitation, the repayment of any outstanding principal on any surplus notes, debentures or similar securities. Notwithstanding the above, Fannie Mae hereby provides MGIC and/or MIC consent to pay dividends (directly, or in the case of MIC, indirectly through MGIC) to Investment under the following conditions (i) dividend payments are made to pay off existing debt obligations of Investment or to purchase existing debt obligations of Investment prior to maturity, *provided*, that if such dividend payments are made to purchase existing debt obligations prior to maturity, the purchase price of such debt obligations are at least at the percent discount to par specified in the Side Letter (all such payments referred to herein collectively as the "Authorized Dividends"), (ii) the total amount of Authorized Dividends shall not exceed $100 million aggregate, and (iii) the dividending party provides Fannie Mae written notice of such planned Authorized Dividends at such time as the party requests approval for such dividend from the OCI. In addition, Fannie Mae hereby consents to the payment by MGIC and MIC of dividends or distributions to reinsurance counterparties who are affiliates of the Company as reasonably necessary in the ordinary course of business solely for the purpose of complying with reinsurance requirements as described in the Proposal.

c. Transfer, issue, sell or make any other arrangement to transfer or distribute, by dividend or otherwise (any of the foregoing referred to herein as a *"Transfer"*), any assets, or securities owned by MGIC or MIC to another person or entity, including to an affiliate. Notwithstanding the above, the parties agree that MGIC or MIC may conduct the following Transfers:

(i) Transfers as provided in clause 5(b) above;

(ii) a Transfer of the equity interest in Credit-Based Asset Servicing & Securitization LLC pursuant to the exercise of an option previously granted, as described in the Side Letter,*provided*, however, that any proceeds derived therefrom are retained by or contributed to MGIC;

(iii) Transfers in the ordinary course of business of MGIC and MIC, such as, for management of their respective investments, cash and other assets, for payment of operating expenses, marketing expenses, compensation expenses, insurance claim payments, liability and other insurance premiums, premium and other taxes, OCI and other regulatory examination and examination-related expenses, audit fees and expenses, NYSE and SEC fees, rating agency fees, GSE fees, consulting fees, litigation, arbitration and other legal fees and expenses, capital expenditures to maintain and expand systems, pension plan funding, medical benefits, retiree and employee benefits, charitable contributions, trade association dues, or pursuant to the expense and tax sharing agreements in effect among MGIC and its affiliates*("Ordinary Course Transfers"*), provided, however, that the Companies shall provide a written report to Fannie Mae monthly identifying any such individual Ordinary Course Transfers (other than mortgage insurance claim payments) made in the previous month that exceeded $5 million dollars. The parties agree however, that Investment will cause any Transfers to a reinsurance company affiliate of MGIC or MIC to be used solely to reimburse MGIC or MIC, as applicable, for claims paid by such Companies, to maintain the eligibility of such reinsurers to reinsure new business written by MGIC and MIC, if needed, or pursuant to the intercompany tax and expense sharing agreements;

(iv) Transfers to any affiliate of MGIC or MIC that is not engaged in the business of insuring or reinsuring mortgage loans (each a "Non-Insurance Affiliate") to fund or otherwise pay, discharge, or otherwise satisfy any liability or other obligations of a Non-Insurance Affiliate ("Non-Insurance Transfers"), provided, that such Non-Insurance Transfers shall not exceed in the aggregate during the term of this agreement the amount specified in the Side Letter.

d. Transfer or otherwise shift MGIC's or MIC's issuance of new mortgage insurance business to any other affiliate. In the event Fannie Mae approves such transfer or other shift, the Companies shall, jointly and severally, provide to Fannie Mae a written, unconditional guaranty of full and timely payment of all policyholder claims as they come due under the subject Fannie Mae's mortgage insurance policies;

e. Alter, amend, otherwise modify or enter into any expense sharing or tax sharing agreement of MGIC or MIC with any of their respective affiliates, other than as described in the Proposal or as necessary to comply with any change in applicable law, regulation or order; and

f. Allow MIC to enter into any risk novation or commutation transaction. In order to obtain Fannie Mae's approval for such novation or commutation transaction, MIC shall undertake to ensure and demonstrate to Fannie Mae's satisfaction that any such successor will satisfy the credit standards and quality that is then required for standard government sponsored enterprise business.

The foregoing Approval Conditions are in addition to any and all applicable requirements imposed by the OCI, the Wisconsin Statutes or the Wisconsin Administrative Code.

6. MGIC and MIC agree to, and Investment shall cause MGIC or MIC to, comply with and be bound by, any changes, amendments or other modifications to the Requirements. It is understood and agreed that if either MGIC or MIC fails to comply with the Requirements, as in effect or hereafter modified or amended, Fannie Mae shall have the same remedies with respect to such failure as Fannie Mae would have had in the absence of this agreement and shall not have any additional remedies in the case of such failure on account of this agreement. Notwithstanding any contrary provision herein, any claim against Investment shall be limited to its obligations arising under this agreement, exclusive of its obligations under this Section 6. During the term of this agreement, the obligation to comply with the Requirements shall not include a requirement that either MGIC or MIC obtain and maintain any external ratings of claims paying ability, which requirement is specifically excluded from this agreement.

7. Nothing in this letter or in any other agreement under which Fannie Mae is entitled to have information maintained in confidence shall restrict disclosure of this letter or its terms by Investment, MGIC or MIC as deemed necessary or appropriate by any such Company to comply with federal securities laws or to effect the transactions, approvals and business operations described in the Proposal.

Unless otherwise earlier revoked, Fannie Mae's conditional approval of MIC granted hereby, the Approval Conditions and other terms of this agreement shall terminate on

December 31, 2011. Thereafter, whether MIC will continue to be approved as a direct issuer of mortgage guaranty insurance policies will be determined under the Requirements as then in effect.

Very truly yours,

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: /s/ Michael A. Shaw
Name: Michael A. Shaw
Title: Executive Vice President Chief Credit Officer

Confirmed and accepted
as of October 14, 2009.

MGIC Indemnity Corporation

By: /s/ Curt S. Culver
Name: Curt S. Culver
Title: Chairman and Chief Executive Officer

Mortgage Guaranty Insurance Corporation

By: /s/ Curt S. Culver
Name: Curt S. Culver
Title: Chairman and Chief Executive Officer

MGIC Investment Corporation

By: /s/ Curt S. Culver
Name: Curt S. Culver
Title: Chairman and Chief Executive Officer

Exhibit A to Approval Letter Agreement

Exhibit A to the Approval Letter Agreement is incorporated herein by reference to Exhibit 99 to the company's Form 8-K filed with the Securities and Exchange Commission on March 3, 2011.

Side Letter

MGIC Investment Corporatio

Curt S. Culver
Chairman and Chief Executive Officer

October 15, 2009

Mr. Kenneth J. Phelan
Fannie Mae
3900 Wisconsin Avenue, NW
Washington. DC 20016-2892

Dear Mr. Phelan:

This letter is the "Side Letter" referred to in the letter agreement of even date herewith (the "Approval Letter Agreement") from the Federal National Mortgage Association ("Fannie Mae") to MGIC Indemnity Corporation ("MIC"), Mortgage Guaranty Insurance Corporation ("MGIC") and MGIC Investment Corporation ("Investment").

Pursuant to the last sentence in Section 1 of the Approval Letter Agreement, the assets listed are the $85 million promissory note payable by Sherman Financial Group LLC, and MGIC Australia Pty Ltd.

Pursuant to Section 5.b of the Approval Letter Agreement, if any dividend payments are made on or before December 31, 2011 to purchase the debt obligations of Investment prior to maturity, the purchase of the debt obligations will be at least at a 10% discount to par.

The option described in Section 5.c(ii) of the Approval Letter Agreement is the option previously granted to Goldman Sachs & Co. or its affiliate.

For purposes of Section 5.c(iv) of the Approval Letter Agreement, the Non-Insurance Transfers shall not exceed $40 million in the aggregate during the term of the Approval Letter Agreement.

The contents of this Side Letter are confidential information of Investment, MIC and MGIC and will not be disclosed by Fannie Mae without the prior consent of such companies, except that consent shall not be required for any disclosure required by applicable law, order. subpoena or to a government agency or regulatory body having authority to regulate or oversee Fannie Mae's business and requesting such disclosure in the exercise of such authority.

Kindly acknowledge your agreement to the foregoing terms by returning a signed copy of this letter to my attention.

Sincerely,

/s/ Curt S. Culver

Curt S. Culver

The foregoing terms are acknowledged and agreed to by Fannie Mae as of the date set forth above.

FEDERAL NATIONAL MORTGAGE CORPORATION

By: /s/ Michael A. Shaw
Name: Michael A. Shaw
Title: EVP Chief Credit Officer

MGIC Plaza, PO Box 488, Milwaukee, Wisconsin 53201, (414) 347-6632
WATS (800) 558-9900, FAX (414) 347 -6641, E-Mail: curt_culver@mglc.com

Exhibit 99.4

January 23, 2012

Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

VIA OVERNIGHT DELIVERY
AND E-MAIL

Curt Culver
Chairman and CEO
MGIC Indemnity Corporation
250 East Kilbourn Avenue
Milwaukee, WI 53202

Curt Culver
Chairman and CEO
Mortgage Guaranty Insurance Corporation
250 East Kilbourn Avenue
Milwaukee, WI 53202

Re: Mortgage Guaranty Insurance Corporation ("MGIC") and MGIC Indemnity Corporation ("MIC")

Dear Mr. Culver:

This letter is in response to the request by Mortgage Guaranty Insurance Corporation ("MGIC") an *approved insurer* under *Freddie Mac's Private Mortgage Insurer Eligibility Requirements* ("ERs") made in your letter to Gina Healy dated December 20, 2011 to use a special purpose mortgage insurer and its direct subsidiary, MGIC Indemnity Corporation ("MIC"), to write business in those *states* (i) in which MGIC either has exceeded or within thirty (30) days will exceed the maximum risk-to-capital ratio ("RTC") of 25:1 or has fallen short or within 30 days will fall short of the Minimum Policyholders Position ("MPP"), and (ii) that continue to impose the RTC of MPP requirement, notwithstanding MGIC's diligent and good faith pursuit of a waiver or modification thereof (the "Limited Insurer"). This letter amends in its entirety and replaces that certain letter dated February 11, 2010 to Patrick Sinks of MGIC from Raymond Romano of *Freddie Mac* regarding use of MIC as a Limited Insurer.

Italicized terms herein shall have the meaning set forth in the ERs.

MGIC has informed *Freddie Mac* that, to date, MGIC has not breached the MPP or RTC requirements of any state and has not therefore required the use of MIC as a Limited Insurer. MGIC has informed *Freddie Mac* that it is at continued risk of noncompliance with either the RTC or MPP requirements, as applicable, imposed by the regulatory requirements of 17 jurisdictions, including its *state* of domicile, Wisconsin, and Puerto Rico. In the event of breach of the MPP or RTC and absent a waiver from Wisconsin, MGIC would likely be prohibited from writing business in all 50 *states*. However, the State of Wisconsin's Office of the Commissioner of Insurance ("OCI) has proposed a draft stipulation and order Case No. 11-C33951, a copy of which is attached hereto as Exhibit A (the "OCI Order"), which permits MGIC to continue to write new business in the event that it does not meet the required MPP, subject to various conditions. Assuming waiver of MPP in Wisconsin, MGIC must obtain a waiver or modification of the applicable MPP or RTC in 15 *states* and Puerto Rico in order to continue to write new business in those jurisdictions if it breaches the applicable MPP or RTC. Except with respect to Wisconsin, MGIC has provided no documentation or information indicating that renewal requests or new requests are pending. *Freddie Mac* will at this time only consider the authorization of MIC to write business, as a Limited Insurer, in New York, Kansas, Kentucky, Idaho and Puerto Rico in the event that MGIC does breach the applicable MPP or RTC and is unable as a result to write new business in those jurisdictions itself. For the avoidance of doubt, *Freddie Mac* is providing this authorization in anticipation that MGIC will obtain most, if not all, of the remaining waivers of MPP or RTC prior to its breach of those requirements and that MGIC's need to use MIC will be extremely limited.

MIC was previously capitalized by MGIC with $200 million on October 21, 2009. MGIC has not breached its MPP or RTC and therefore this capital contribution to MIC has not been utilized to date for writing new business in MIC. On December 21, 2011, MGIC Investment Corporation (the "HC") and affiliates contributed $200 million to MGIC in cash and cash equivalents. MGIC will contribute $200 million to MIC on or before January 31, 2012, as required under the proposed OCI Order.

Freddie Mac hereby conditionally approves MGIC's utilization of its direct subsidiary, MIC, as a Limited Insurer eligible to insure mortgages purchased by *Freddie Mac* subject to the limitations set forth herein and subject to continuing compliance by MGIC and MIC with the following terms and conditions:

1. MGIC must take the following actions, and/or the following actions must occur, and/or *Freddie Mac* must receive timely the following information and documentation and any additional information and documentation *Freddie Mac* requests in support of MGIC's request to utilize a Limited Insurer:

   (i) OCI must issue a stipulation and order substantially in the form of the OCI Order. In no event is MIC authorized to act as a Limited Insurer pursuant to this letter if the waiver of Wisconsin's MPP requirement is not issued and if issued, is not maintained. MGIC, MIC and the HC must at all times maintain compliance with all terms and conditions of the OCI Order. Failure by MGIC and/or MIC and/or the HC to comply with any provision of the OCI Order shall be sole cause for the immediate *suspension* of both MGIC and MIC, in *Freddie Mac's* sole discretion. For the avoidance of doubt, *Freddie Mac* considers the OCI Order and all communications between MGIC, MIC, the HC and the OCI regarding the terms of and compliance with the OCI Order, to be *material* under both the currently published version of the ERs dated January 2008 and in the currently outstanding draft of the ERs with an effective date of February 2011. MGIC and/or MIC must provide notice to *Freddie Mac* of any change in the OCI Order within three (3) business days of the issuance of any such change and must provide *Freddie Mac* with notice within five (5) business days of any written or oral communications between MGIC and/or MIC and the OCI indicating that MGIC, MIC or the HC may not be in compliance with or is at risk of noncompliance with the terms of the OCI Order.

(ii) If required by the OCI to obtain and/or pay for the OCI to obtain a report of any nature or kind from any independent third-party actuary, investment banker, or financial adviser at any time for any purpose associated with the analysis of MGIC's and/or MIC's financial condition or business plans as reflected in the OCI Order ("Professional's Report") during the period that the OCI Order is in effect, MGIC (a) shall provide notice to *Freddie Mac* of the OCI's requirement of a Professional's Report within five (5) business days after such requirement is imposed, and (b) provided that *Freddie Mac* agrees in a written release not to rely on the Professional's Report, similar to nonreliance acknowledgements given by *Freddie Mac* for other financial and actuarial reports concerning MGIC, and the OCI and the preparer of the Professional's Report agree to release it to *Freddie Mac*,MGIC shall furnish *Freddie Mac with* a copy of the Professional's Report concurrently with delivery of the Professional's Report to the OCI, or if it is not furnished to MGIC, request the OCI to provide such copy to Freddie Mac.

(iii) MGIC and/or MIC must provide copies of all materials required to be provided to OCI in connection with compliance with the OCI Order or any other requirement by OCI that MGIC or MIC provide to OCI information or documentation, including without limitation any business plan or Form D filing, regarding MGIC's return to capital adequacy or MGIC's and/or MIC's plans regarding the ability of either to continue to write new *mortgage guaranty insurance* in the future.

(iv) MGIC must take all actions necessary to comply with all conditions imposed by the OCI in the OCI Order and necessary to maintain OCI's waiver of the MPP requirements set forth in Paragraph (1) thereof, including the $200 million contribution to MIC on or before January 31, 2012.

(v) MGIC must take all actions necessary to comply with all conditions imposed by the applicable regulatory or other bodies or officials of any of the jurisdictions required to obtain and to maintain the RTC/MPP waivers issued by those jurisdictions.

(vi) MGIC must notify*Freddie Mac* within five (5) business days of the occurrence of (a) any addition to or change in the requirements imposed by any applicable regulatory or other bodies or officials of any *states* necessary to maintain the waiver by that *state* of its RTC/MPP requirements or (b) a withdrawal or expiration of the waiver and provide copies of each communication from the applicable *state* to MGIC regarding the same and copies of MGIC's response. Without limiting the generality of the foregoing, *Freddie Mac* expects to receive all information and documentation provided by MGIC to the applicable *state* regarding the waiver at the time and in the manner provided to the applicable *state*.

(vii) MGIC must notify Freddie Mac within three (3) days of any failure by the HC to comply with the terms of the OCI Order, including without limitation the provisions of paragraphs (5) and (6) thereof.

(viii) During the period covered by this letter, MIC must provide MGIC access to the capital of MIC in an amount necessary for MGIC to maintain sufficient liquidity to satisfy its obligations under insurance policies issued by MGIC (the "Policies"), according to the terms and conditions of the Policies. Without limiting the generality of the condition in the previous sentence, MGIC shall provide written demand for funding to MIC at least sixty (60) days prior to the date that such funding is required, stating that such funding is required in order for MGIC to be able to satisfy its obligations under the Policies. A copy of such demand shall be sent to *Freddie Mac* and the OCI concurrently with the demand. MIC shall satisfy MGIC's funding request within (15) days. If MGIC fails to make a funding demand deemed by *Freddie Mac*, in its sole discretion, to be required to satisfy MGIC's obligations under the Policies, *Freddie Mac* shall make such demand to MIC and MIC shall satisfy the demand as if it had been made by MGIC, providing the funding to MGIC within fifteen (15) days. A failure by MGIC to make such funding demand timely or of MIC to satisfy a funding demand by MGIC or, in the alternative by *Freddie Mac*, shall be sole cause for the immediate *suspension* of both MGIC and MIC, in *Freddie Mac's* sole discretion. Additionally, upon failure of MGIC for any reason (including by way of example and without limitation, (a) the assignment of any of the Policies to a Segregated Account under Wisconsin Laws Section 611.24 whether by order of a court or the OCI or (b) any order, instruction or proceeding of any judicial, legislative, executive or regulatory body or any official appointed by any of the foregoing applicable to MGIC or a Segregated Account) to pay valid claims when due in full in cash, *Freddie Mac* or any policyholder of one of the Policies with a valid claim may make such demand to MIC directly and MIC shall make such payment on behalf of MGIC within thirty (30) days of demand therefor. MGIC and MIC acknowledge that MIC's failure to honor such demand, shall be sole cause for the immediate *suspension* of both MGIC and MIC, in *Freddie Mac*'s sole discretion.

(ix) MIC must at all times remain the wholly-owned subsidiary of MGIC. There may be no change in the ownership or control of MIC without the prior written consent of *Freddie Mac*.

3. The conditional approval of MGIC's use of its subsidiary MIC as a Limited Insurer expires as of December 31, 2012. This conditional approval may not be extended or renewed without the express written approval of *Freddie Mac*.

4. MGIC has represented to *Freddie Mac* that it projects that it will not comply with applicable RTC and/orMPP, at some time during 2012. Until such time that MGIC provides Freddie Mac notice that it will breach the applicable RTC or MPP within 30 days, MGIC will continue to write all *mortgage guaranty insurance* business.

5. As a Limited Insurer, MIC may only write business (i) in those *states* continuing to impose the RTC or MPP requirements on MGIC without waiver or modification and (ii) as a result of which MGIC is prohibited from writing new business due to noncompliance with the RTC or MPP. Those jurisdictions are New York, Kansas, Kentucky, Idaho and Puerto Rico. Upon issuance of the OCI Order, MGIC will write new *mortgage guaranty insurance* business in Wisconsin and the 34 states that do not have an MPP or RTC requirement, regardless of whether the remaining *states* issue a waiver of those requirements to MGIC. MGIC must provide written notice to *Freddie Mac* that it anticipates that it will breach within the next thirty (30) days the applicable RTC or MPP including a listing of each *state* in which, as a result, it is unable to write new business, within three (3) business days of making the determination. MGIC must also provide to *Freddie Mac* a copy of any notice, if any, regarding breach of the requirements provided to MGIC by the applicable *state*. For the avoidance of doubt, under no circumstance is MIC authorized to write new business as a Limited Insurer pursuant to this letter if Wisconsin does not waive its MPP requirement.

6. MGIC represents and warrants that it has re-filed, or will do so on or before February 29, 2012, a request for waiver or modification of the RTC and MPP requirements, as applicable, in each jurisdiction imposing the applicable requirement where it does not currently have a waiver and currently conducts business, other than Kansas, Kentucky, Idaho, New York and Puerto Rico. MGIC shall provide to *Freddie Mac*, in writing, the following information, with respect to each waiver or modification request made to a *state* and respresents that the information is true, accurate and complete as of the date made: (i) date re-filed request for waiver/modification was made in each *state* where required ; (ii) date that MGIC satisfied all requests from the applicable *state* for data and documentation in connection with the waiver/modification request, if any; and (iii) MGIC's best estimate of the date a response is anticipated from the applicable *state* (collectively, "FORM A"). MGIC further agrees to update FORM A each time any of the information required in FORM A changes. For the avoidance of doubt, this authorization of MIC as a Limited Insurer is subject to revocation if substantially all of the waivers in the remaining 12 jurisdictions where such waivers are required, have not been obtained prior to MGIC's expected breach of the applicable MPP or RTC. Upon request, MGIC must provide *Freddie Mac* copies of any waiver or modification request made to a *state*, any supporting documentation provided to the *state*, any related response or demand for information or documentation made by the *state* to MGIC related to the request and any other information *Freddie Mac* deems necessary to determine MGIC's progress in obtaining waiver or modification of the RTC and MPP requirements. MGIC must continue to pursue diligently and in good faith and take all reasonable actions to (i) obtain a waiver or modification of applicable RTC or MPP requirements in each *state* that continues to impose those requirements on MGIC where such requirements prevent MGIC from writing new business in the *state* and (ii) to maintain such waiver or modification once obtained. *Freddie Mac's* determination in its sole discretion that MGIC is not diligently pursuing requests for waivers or modifications of RTC and MPP requirements and/or doing all that is necessary to maintain such waivers, including without limitation seeking renewals thereof, timely complying with all conditions and requirements necessary to maintain the waiver such as supplying requested updates, additional information and documentation, etc, in addition to constituting a failure to satisfy the conditions on which this approval was granted resulting in revocation of this conditional approval, may negatively affect and/or be the basis for denial of other requests for waivers or accommodations under the ERs. MGIC will provide Freddie Mac with copies of the waivers received.

7. While MIC is writing new business as a Limited Insurer, MIC may not exceed a risk-to-capital ratio of 20:1. MGIC may not contribute capital to its Limited Insurer,MIC, in excess of the $200 million of capital required by the OCI Order to be contributed to MIC on or before January 31, 2012, unless the additional contribution is specifically approved by Freddie Mac in writing. The existing capital in MIC plus the amount to be contributed by January 31, 2012 and any capital MGIC subsequently seeks to obtain and obtains *Freddie Mac's* approval to contribute to its Limited Insurer, MIC, is subject to repatriation of risk and supporting capital as described in sections 11 and 12 hereof. In no event, shall any additional request to contribute capital to the Limited Insurer after and including the capitalization of MIC as of January 31, 2012, exceed the amount sufficient to meet applicable regulatory requirements and/or maintain a risk-to-capital ratio no higher than 20:1.

8. Prior to the expiration of the conditional approval of MIC as a Limited Insurer, MGIC and/or the Limited Insurer, MIC, may not declare, pay or otherwise make any provision for the payment of any dividend, return of capital, capital distribution, or any other such arrangement, without *Freddie Mac's* specific written approval.

9. Expenses paid by MIC to MGIC may not exceed the expenses incurred by MGIC for management and administrative services perfomed by MGIC for MIC allocated to MIC in accordance with established statutory accounting standards and procedures for determining an allocation between affiliated entities. The expense ratio of MIC cannot exceed 20% in any calendar year.

10. MGIC must receive approval from its *state* of domicile and any other *state* requiring approval to utilize the Limited Insurer as contemplated herein, including approval of its capitalization, if any. MIC must obtain all *state* licenses and approvals necessary to transact business as contemplated herein. These *state* approvals must be submitted to *Freddie Mac* prior to issuance by MIC, as a Limited Insurer, of any insurance policy, certificate or commitment of insurance in the applicable *state.*

11. MIC must cease writing commitments for insurance on December 31, 2012. If permitted by the applicable regulatory authorities, MGIC must (i) subsume all risk written by and the related premium payable to MIC in any *state* that waives or modifies the RTC or MPP requirement after MIC has begun writing business in the *state* such that MGIC may begin writing new business in that *state* and MGIC must repatriate the capital supporting that risk or (ii) enter into a 100% quota share *reinsurance* transaction with the Limited Insurer by the end of the quarter following the quarter in which MGIC again became eligible to write business in the *state*. MGIC and MIC will each use their reasonable best efforts in good faith to obtain any regulatory approvals required in order to effect such transfer or reinsurance transaction in each *state* where approval is required.

12. If permitted by the applicable regulatory authorities, once MGIC has maintained the applicable RTC or MPP in a *state* for three consecutive quarters, all risk of MIC, the Limited Insurer, written in the *state* must be subsumed by and capital contributed to MIC supporting that risk repatriated to MGIC by the end of the following quarter, or MGIC must enter into a 100% quota share *reinsurance* transaction with the Limited Insurer by the end of the quarter following such third quarter. MGIC and MIC will use their reasonable best efforts in good faith to obtain any regulatory approvals required in order to effect such risk transfer transactions in each *state* where approval is required.

13. No new *reinsurance* agreements among *affiliates* may be entered into and no amendments, modifications or changes to existing *reinsurance* agreements among *affiliates* will be made by MGIC or MIC prior to the expiration of this conditional approval of MIC as a Limited Insurer, without prior written approval of *Freddie Mac*.

14. In the event that either MGIC or MIC becomes subject to an adverse action by *Freddie Mac*, both MGIC and MIC will be subject to the same adverse action in *Freddie Mac*'s sole discretion.

15. Except as provided herein or as otherwise provided in a specific writing signed by an officer of *Freddie Mac*, MGIC and MIC must comply with *Freddie Mac's* ERs, as amended from time to time.

Freddie Mac acknowledges that the HC, MGIC or MIC may disclose the terms of this letter to insurance regulatory authorities and as required to comply with applicable federal securities laws.

All information, data and materials furnished by MGIC to *Freddie Mac* pursuant to the provisions of this letter are Confidential Information of MGIC subject to the terms of that Confidentialtiy and Non-Disclosure Agreement effective January 19, 2006 between MGIC and *Freddie Mac*. Disclosure of any information to *Freddie Mac* by MGIC or by OCI pursuant to the provisions of this letter shall not waive any right of MGIC or OCI to confidential treatment of such information under Wis. Stat. §601.465, Wis. Adm. Code Ins §6.13 or under any similar law or regulation of any other jurisdiction.

Nothing contained in this letter constitutes a waiver by *Freddie Mac* of its right to determine in its sole discretion the initial or continued eligibility, or any condition imposed thereon, of any entity for a*pproved insurer* status under *Freddie Mac's* ERs as amended from time to time.

Freddie Mac reserves the right to withdraw this letter and any approval granted pursuant hereto, at any time. *Freddie Mac* reserves all rights to discontinue or restrict a*pproved insurer* status as it deems necessary, including without limitation to take the same adverse action against both entities in accordance with the provisions of paragraphs 14 hereof, in its sole discretion. As stated in *Freddie Mac's* ERs, *Freddie Mac* reserves the right to modify the terms of those requirements, at any time without notice.

Sincerely,

/s/ Robert J. Izzo

Robert J. Izzo
Vice President, Multifamily and Investment.
Chief Credit Officer

Cc: Gina Healy
Paige Wisdom
Deborah Phillips
Steve Murphy

Enclosure: Exhibit A: The OCI Order

Exhibit A

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI) STATE OF WISCONSIN

In the matter of
Mortgage Guaranty Insurance Corporation,
MGIC Reinsurance Corporation, and
MGIC Reinsurance Corporation of Wisconsin,

Respondents.

STIPULATION AND ORDER

Case No. 11-C33951

WHEREAS, Mortgage Guaranty Insurance Corporation ("Respondent MGIC"), MGIC Reinsurance Corporation ("Respondent MGIC Re"), and MGIC Reinsurance Corporation of Wisconsin ("Respondent MGIC Re of WI"), each located at 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (collectively, the "Respondents"), are subject to the jurisdiction and control of the Office of the Commissioner of Insurance (the "Commissioner") in the state of Wisconsin; and

WHEREAS, MGIC Investment Corporation owns, directly or indirectly, all of the outstanding common stock of the Respondents; and

WHEREAS, s. 623.11, Wis. Stat., provides that the Commissioner shall, when necessary, determine the amount of compulsory surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41(4), Wis. Stat., as an amount that will provide reasonable security against contingencies affecting the insurer's financial position that are not fully covered by reserves or by reinsurance, and that such a determination may or may not involve an amount of compulsory surplus below which the insurer must cease transacting new business; and

WHEREAS, the Commissioner and Respondents have entered into this stipulation and order as a condition of the Commissioner adjusting the compulsory surplus applicable to Respondents under s. Ins 3.09, Wis. Adm. Code;

NOW, THEREFORE, Respondents and MGIC Investment Corporation and the Commissioner do agree and stipulate to the following terms and conditions:

(1) The element of compulsory surplus represented by s. Ins 3.09(5) (b), Wis. Adm. Code, shall not apply to Respondents from the date of this order until December 31, 2013, so that Respondent MGIC may continue to write new mortgage guaranty insurance policies and Respondent MGIC Re and Respondent MGIC Re of WI may continue to reinsure mortgage guaranty insurance policies issued by Respondent MGIC although Respondents do not have the MPP required by s. Ins 3.09, Wis. Adm. Code. From time-to-time, in the Commissioner's sole discretion, the Commissioner may undertake a review of the facts and circumstances of the Respondents' business and interests for the purpose of terminating, extending, or modifying this Stipulation and Order in a manner consistent with the interests of insureds, creditors, and the public generally.

(2) While this Stipulation and Order is in effect, and in place of s. Ins 3.09(5)(b), Wis. Adm. Code, Respondents may continue to write and reinsure new mortgage guaranty insurance policies for as long as each Respondent maintains a policyholders position which provides reasonable security against contingencies affecting each Respondent's financial position that are not fully covered by reserves or reinsurance, such that the Commissioner may continue to determine that each Respondent's policyholders position is reasonably in excess of a level that would constitute a financially hazardous condition. If MGIC Investment Corporation fails to make any contribution required under either paragraph (5) or paragraph (6), Respondent MGIC shall not be in compliance with this Stipulation and Order.

(3) The Commissioner may retain consultants, including accountants, attorneys, investment bankers, and other experts to assist the Commissioner in the Commissioner's assessment of each Respondent's financial condition, its exposure to loss claims, credit risk, liquidity risk, rating risk and other risks and the evaluation of reporting information submitted by Respondents and Respondents agree to bear the cost of retaining such experts.

(4) Respondent MGIC shall contribute Two Hundred Million Dollars ($200,000,000) to its wholly-owned subsidiary MGIC Indemnity Corporation on or before January 31, 2012.

(5) During the period commencing on January 1, 2012 and ending on the earlier of the date that this Stipulation and Order is terminated by the Commissioner or December 31, 2013 (the "Covered Period"), MGIC Investment Corporation shall make one or more cash equity contributions to Respondent MGIC as may be necessary for Respondent MGIC to maintain minimum liquid assets of One Billion Dollars ($1,000,000,000) at all times (the "Minimum Liquid Asset Amount"). For the purposes hereof, liquid assets means the sum of (i) the aggregate cash and cash equivalents, (ii) fair market value of investments and (iii) assets held in captive trusts, of each of (a) Respondent MGIC Re (b) MGIC Mortgage Reinsurance Corporation, (c) MGIC Residential Reinsurance Corporation and (d) Respondent MGIC when consolidated with its direct and indirect subsidiaries excluding (i) MGIC Indemnity Corporation, (ii) MIC Reinsurance Corporation and (iii) MIC Reinsurance Corporation of Wisconsin.

(6) Within 15 days of the date that Respondent MGIC lacks the required Minimum Liquid Asset Amount at any time during the Covered Period, MGIC Investment Corporation shall make an equity contribution to Respondent MGIC in order to cure the deficiency and immediately notify OCI of such action in writing.

(7) For purposes of this Stipulation and Order, the application of the Wisconsin Statutes and the Wisconsin Administrative Code are not modified except as explicitly stated herein. Furthermore, this Stipulation and Order supersedes the Stipulation and Order dated December 2, 2009 in OCI Case No. 09-C32599, but does not supersede or amend any other approval, order, memorandum, or agreement issued by or entered into with the Commissioner.

(8) Respondents and MGIC Investment Corporation and the Commissioner agree that this Stipulation and Order is not being entered in consequence of any violation of law or for the purpose of imposing a penalty or a specific course of remedial action, but rather as an exercise of the Commissioner's authority and obligation to determine, when necessary, the amount of compulsory surplus an insurer is required to have under s. 623.11, Wis. Stat.

(9) Respondents and MGIC Investment Corporation consent to this Order and agree that this Stipulation is made without reservation and constitutes a waiver of rights including a hearing, confrontation and cross-examination of witnesses, production of evidence, a motion for costs, and judicial review. The Commissioner may enforce this Stipulation and Order. The Commissioner may modify, extend or terminate this Stipulation and Order with respect to the Respondents in his sole discretion with written notice to Respondents and MGIC Investment Corporation. The Commissioner may terminate this Stipulation and Order with respect to MGIC Investment Corporation in his sole discretion with written notice to Respondents and MGIC Investment Corporation. Any change in the obligations of MGIC Investment Corporation under this Stipulation and Order shall require the written consent of MGIC Investment Corporation.

Date

Rebecca L. Easland, Director
Bureau of Financial Analysis and Examinations

Date

Curt S. Culver
Chairman and Chief Executive Officer
Mortgage Guaranty Insurance Corporation
MGIC Reinsurance Corporation
MGIC Reinsurance Corporation of Wisconsin

Date

Curt S. Culver
Chairman and Chief Executive Officer
MGIC Investment Corporation

ORDER

NOW, THEREFORE, based upon consideration of the Stipulation in this matter, I hereby order that:

(10) Respondents and MGIC Investment Corporation shall comply with their agreements as recited in this Stipulation.

(11) The application of the Wisconsin Statutes and the Wisconsin Administrative Code other than s. Ins 3.09 (5), Wis. Adm. Code, including but not limited to the provisions of the Wisconsin Statutes and the Wisconsin Administrative Code that give the Commissioner authority to issue other orders directed to Respondents and MGIC Investment Corporation, are not affected by this Stipulation and Order.

(12) Any report provided to the Commissioner or demanded by the Commissioner pursuant to this Stipulation and Order shall be required under s. 601.42, Wis. Stat., and under this Stipulation and Order.

(13) This Order shall continue until December 31, 2013, unless modified, extended or terminated by the Commissioner, with written notice to the Respondents and MGIC Investment Corporation. Any modification or extension of the obligations of MGIC Investment Corporation under this Stipulation and Order shall require the written consent of MGIC Investment Corporation.

Dated at Madison, Wisconsin, this ____________ day of ____________________

____

Theodore K. Nickel
Commissioner of Insurance

Safe Harbor Statement

Forward Looking Statements and Risk Factors:

As used below, “we,” “our” and “us” refer to MGIC Investment Corporation’s consolidated operations or to MGIC Investment Corporation, as the context requires, and “MGIC” refers to Mortgage Guaranty Insurance Corporation. Our actual results could be affected by the risk factors below. These risk factors should be reviewed in connection with this Form 8-K and our periodic reports to the Securities and Exchange Commission. These risk 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, including matters that inherently refer to future events. Among others, statements that include words such as “believe,” “anticipate,” “will” or “expect,” or words of similar import, are forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No investor should rely on the fact that such statements are current at any time other than the time at which this Form 8-K was issued.

Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.

The insurance laws or regulations of 16 jurisdictions, including Wisconsin, our domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to the risk in force (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the “Capital Requirements.” While formulations of minimum capital may vary in certain jurisdictions, the most common measure applied allows for a maximum permitted risk-to-capital ratio of 25 to 1. A risk-to-capital ratio will increase if the percentage decrease in capital exceeds the percentage decrease in insured risk. Therefore, as capital decreases, the same dollar decrease in capital will cause a greater percentage decrease in capital and a greater increase in the risk-to-capital ratio. Wisconsin does not regulate capital by using a risk-to-capital measure but instead requires us to maintain a minimum policyholder position (“MPP”). The “policyholder position” of a mortgage insurer is its net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums.

In December 2011, our holding company, MGIC Investment Corporation, contributed $200 million to increase the statutory capital of MGIC. (As of December 31, 2011, there was $487 million of cash and investments at our holding company). At December 31, 2011, MGIC’s preliminary risk-to-capital ratio was 20.3 to 1 and its preliminary policyholder position exceeded the MPP by $185 million. We currently expect MGIC’s risk-to-capital to exceed 25 to 1 in the second half of 2012. At December 31, 2011, the preliminary risk-to-capital ratio of our combined insurance operations (which includes reinsurance affiliates) was 22.2 to 1. A higher risk-to-capital ratio on a combined basis may indicate that, in order for MGIC to continue to utilize reinsurance arrangements with its subsidiaries or subsidiaries of our holding company, additional capital contributions to the reinsurance affiliates could be needed. These reinsurance arrangements permit MGIC to write insurance with a higher coverage percentage than it could on its own under certain state-specific requirements.

The National Association of Insurance Commissioners ("NAIC") adopted Statement of Statutory Accounting Principles No. 101 ("SSAP No. 101") effective January 1, 2012. As MGIC approaches a risk-to-capital ratio of 25 to 1, under SSAP No. 101, the benefit to statutory capital allowed for deferred tax assets will be eliminated. Effectively, MGIC's risk-to-capital ratio, computed while excluding any deferred tax assets from the capital base, must be under 25 to 1 in order to include such deferred tax assets in the amount of available statutory capital. Any exclusion of these assets would negatively impact our statutory capital for purposes of calculating compliance with the Capital Requirements. At December 31, 2011, deferred tax assets of $142 million were included in MGIC's statutory capital. For more information about factors that could negatively impact our compliance with Capital Requirements, which depending on the severity of adverse outcomes could result in material non-compliance with Capital Requirements, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future," "— We have reported net losses for the last five years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability" and "— The settlement agreement we reached with the Internal Revenue Service, relating to significant proposed adjustments to our taxable income for 2000 through 2007, may not be finalized." As discussed below, in accordance with Accounting Standards Codification ("ASC") 450-20, we have not accrued an estimated loss in our financial statements to reflect possible adverse developments in litigation or other dispute resolution proceedings. An accrual, if one was required and depending on the amount, could result in material non-compliance with Capital Requirements.

In December 2009, the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") issued an order waiving, until December 31, 2011, its Capital Requirements. On January 23, 2012, the OCI issued an order (the "New Order") waiving, until December 31, 2013, its Capital Requirements. In place of the Capital Requirements, the New Order provides, as did the prior order, that MGIC can write new business as long as it maintains regulatory capital that the OCI determines is reasonably in excess of a level that would constitute a financially hazardous condition. Under the New Order, MGIC is to contribute $200 million to MGIC Indemnity Corporation ("MIC"), a direct subsidiary of MGIC, on or before January 31, 2012, as part of the plan discussed below to write new mortgage insurance in MIC in certain jurisdictions.

The New Order requires MGIC Investment Corporation, beginning January 1, 2012 and continuing through the earlier of December 31, 2013 and the termination of the New Order (the "Covered Period"), to make cash equity contributions to MGIC as may be necessary so that its "Liquid Assets" are at least $1 billion (this portion of the New Order is referred to as the "Keepwell Provision"). "Liquid Assets" are the sum of (i) the aggregate cash and cash equivalents, (ii) fair market value of investments and (iii) assets held in trusts supporting the obligations of captive mortgage reinsurers to MGIC as well as those held in certain of our subsidiaries, excluding MIC and its reinsurance affiliates. As of December 31, 2011, "Liquid Assets" were approximately $6.4 billion. Although we do not expect that MGIC's Liquid Assets will fall below $1 billion during the Covered Period, we do expect the amount of Liquid Assets to continue to decline materially after December 31, 2011 and through the end of the Covered Period as MGIC's claim payments and other uses of cash continue to exceed cash generated from operations. For more information about factors that could negatively impact MGIC's Liquid Assets, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future," "— We have reported net losses for the last five years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability" and "— The settlement agreement we reached with the Internal Revenue Service, relating to significant proposed adjustments to our taxable income for 2000 through 2007, may not be finalized."

MGIC previously applied for waivers in all jurisdictions besides Wisconsin that have Capital Requirements and received waivers from some of them. Most of the waivers that MGIC received expired December 31, 2011. We expect to reapply for waivers in all other jurisdictions that have Capital Requirements, and whose laws allow waivers ("Waiver Jurisdictions"), before they are needed. Some jurisdictions denied our original request for a waiver and others may deny future requests. The OCI and insurance departments of other jurisdictions, in their sole discretion, may modify, terminate or extend their waivers. Any modification or extension of the Keepwell Provision requires our written consent. If the OCI or another insurance department modifies or terminates its waiver, or if it fails to grant a waiver or renew its waiver after expiration, depending on the circumstances, MGIC could be prevented from writing new business anywhere, in the case of the waiver from the OCI, or in the particular jurisdiction, in the case of the other waivers, if MGIC does not comply with the Capital Requirements unless MGIC obtained additional capital to enable it to comply with the Capital Requirements. New insurance written in the jurisdictions that have Capital Requirements represented approximately 50% of new insurance written in each of 2010 and 2011. If we were prevented from writing new business in all jurisdictions, our insurance operations in MGIC would be in run-off (meaning no new loans would be insured but loans previously insured would continue to be covered, with premiums continuing to be received and losses continuing to be paid on those loans) until MGIC either met the Capital Requirements or obtained a necessary waiver to allow it to once again write new business.

We cannot assure you that all Waiver Jurisdictions will grant a waiver of their Capital Requirements, the OCI or any other jurisdiction that has granted a waiver of its Capital Requirements will not modify or revoke the waiver, or will renew the waiver when it expires, or that MGIC could obtain the additional capital necessary to comply with the Capital Requirements. Depending on the circumstances, the amount of additional capital we might need could be substantial. See "— Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock."

We have implemented a plan to write new mortgage insurance in MIC in selected jurisdictions in order to address our expectation that in the future MGIC will not meet the Capital Requirements discussed above and may not be able to obtain appropriate waivers of these requirements in all jurisdictions in which Capital Requirements are present. As of December 31, 2011, MIC had statutory capital of $234 million (which does not include the $200 million contribution to be made in January 2012, in accordance with the New Order). MIC has received the necessary approvals, including from the OCI, to write business in all of the jurisdictions in which MGIC would be prohibited from continuing to write new business in the event of MGIC's failure to meet Capital Requirements and obtain waivers of those requirements. Depending on the level of losses that MGIC experiences in the future, however, it is possible that regulatory action by one or more jurisdictions, including those that do not have specific Capital Requirements, may prevent MGIC from continuing to write new insurance in some or all of the jurisdictions in which MIC is not eligible to insure loans purchased or guaranteed by Fannie Mae or Freddie Mac. If this were to occur, we would need to seek the GSEs' approval to allow MIC to write business in those jurisdictions.

In October 2009, we, MGIC and MIC entered into an agreement with Fannie Mae under which MGIC agreed to contribute $200 million to MIC (which MGIC did in 2009) and Fannie Mae approved MIC as an eligible mortgage insurer through December 31, 2011. On January 23, 2012, we, MGIC and MIC, entered into a new agreement with Fannie Mae (the “Fannie Mae Extension”) under which we agreed to contribute $200 million to increase the statutory capital of MGIC (our $200 million contribution in December 2011 meets this requirement), MGIC agreed to contribute $200 million to MIC on or before January 31, 2012, and Fannie Mae extended its approval of MIC as an eligible mortgage insurer through December 31, 2013. Under the Fannie Mae Extension, MIC will be eligible to write mortgage insurance only in those jurisdictions (other than Wisconsin) in which MGIC cannot write new insurance due to MGIC’s failure to meet Capital Requirements and if MGIC fails to obtain relief from those requirements or a specific waiver of them. The Fannie Mae Extension, including certain conditions and restrictions to its continued effectiveness, is summarized more fully in, and included as an exhibit to, our Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on January 24, 2012. Such conditions include the continued effectiveness of the OCI’s New Order and the continued applicability of the Keepwell Provisions in the New Order. As noted above, we cannot assure you that the OCI will not modify or revoke the New Order, or that it will renew it when it expires.

On February 11, 2010, Freddie Mac notified MGIC that it may utilize MIC to write new business in jurisdictions in which MGIC does not meet Capital Requirements and does not obtain appropriate waivers of those requirements. Freddie Mac’s approval, given in early 2010 and scheduled to expire December 31, 2012, contained various conditions to MIC’s eligibility, including that MIC could not be capitalized with more than the $200 million contribution made in 2009, without prior approval from Freddie Mac. On January 23, 2012, Freddie Mac agreed to modify its approval in order to allow the $200 million contribution from MGIC to MIC that is provided for in the New Order and the Fannie Mae Extension (the “Freddie Mac Approval”).

Under the Freddie Mac Approval, MIC may write business only in those jurisdictions where MGIC does not meet the Capital Requirements and does not obtain appropriate waivers of those requirements. Freddie Mac anticipates that MGIC will obtain waivers of the minimum capital requirements of most jurisdictions that have such requirements. Therefore, as of the date of the Freddie Mac Approval, approval of MIC as an eligible mortgage insurer is only given for New York, Kansas, Kentucky, Idaho and Puerto Rico. The Freddie Mac Approval, including certain conditions and restrictions to its continued effectiveness, is summarized more fully in, and included as an exhibit to, our Form 8-K filed with the SEC on January 24, 2012. Such conditions include requirements that MGIC contribute $200 million to MIC on or before January 31, 2012; MIC provide MGIC access to the capital of MIC in an amount necessary for MGIC to maintain sufficient liquidity to satisfy its obligations under insurance policies issued by MGIC; while MIC is writing new business under the Freddie Mac approval, MIC may not exceed a risk-to-capital ratio of 20:1; MGIC and MIC comply with all terms and conditions of the New Order and the New Order remain effective. As noted above, we cannot assure you that the OCI will not modify or revoke the New Order, or that it will renew it when it expires. As noted above, Freddie Mac has approved MIC as a Limited Insurer only through December 31, 2012. Unless Freddie Mac extends the term of its approval of MIC, whether MIC will continue as an eligible mortgage insurer after December 31, 2012 will be determined by the applicable GSE’s mortgage insurer eligibility requirements then in effect. For more information, see “— MGIC may not continue to meet the GSEs’ mortgage insurer eligibility requirements.”

In 2011, one of our competitors, Republic Mortgage Insurance Company (“RMIC”), ceased writing new insurance commitments after the waiver of Capital Requirements that it received from its domiciliary state expired. In early 2012, RMIC was placed under the supervision of the insurance department of its domiciliary state and that insurance department issued a partial claim payment plan, under which RMIC’s claim payments will be made at 50% for an initial period not to exceed one year, with the remaining amount deferred. In 2011, another competitor, PMI Mortgage Insurance Co. (“PMI”) and the subsidiary it established to write new business if PMI was no longer able to do so, ceased issuing new mortgage insurance commitments when PMI was placed under the supervision of the insurance department of its domiciliary state. Later that year, the insurance department took possession and control of PMI and issued a partial claim payment plan, under which PMI’s claim payments will be made at 50%, with the remaining amount deferred. (PMI’s parent company subsequently filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code.)

A failure to meet the Capital Requirements to insure new business does not necessarily mean that MGIC does not have sufficient resources to pay claims on its insurance liabilities. While we believe that MGIC has sufficient claims paying resources to meet its claim obligations on its insurance in force, even in scenarios in which it fails to meet Capital Requirements, we cannot assure you that the events that led to MGIC failing to meet Capital Requirements would not also result in it not having sufficient claims paying resources. Furthermore, our estimates of MGIC’s claims paying resources and claim obligations are based on various assumptions. These assumptions include our anticipated rescission activity; the timing of the receipt of claims on loans in our delinquency inventory and future claims that we anticipate will ultimately be received; future housing values and future unemployment rates. These assumptions are subject to inherent uncertainty and require judgment by management. Current conditions in the domestic economy make the assumptions about when anticipated claims will be received, housing values and unemployment rates highly volatile in the sense that there is a wide range of reasonably possible outcomes. Our anticipated rescission activity is also subject to inherent uncertainty due to the difficulty of predicting the amount of claims that will be rescinded and the outcome of any legal proceedings related to rescissions that we make, including those with Countrywide. (For more information about the Countrywide legal proceedings, see “— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future.”)

The amount of insurance we write could be adversely affected if the definition of Qualified Residential Mortgage results in a reduction of the number of low down payment loans available to be insured or if lenders and investors select alternatives to private mortgage insurance.

The financial reform legislation that was passed in July 2010 (the “Dodd-Frank Act” or “Dodd-Frank”) requires a securitizer to retain at least 5% of the risk associated with mortgage loans that are securitized, and in some cases the retained risk may be allocated between the securitizer and the lender that originated the loan. This risk retention requirement does not apply to mortgage loans that are Qualified Residential Mortgages (“QRMs”) or that are insured by the FHA or another federal agency. In March 2011, federal regulators issued the proposed risk retention rule that includes a definition of QRM. The proposed definition of QRM contains many underwriting requirements, including a maximum loan-to-value ratio (“LTV”) of 80% on a home purchase transaction, a prohibition on seller contributions toward a borrower’s down payment or closing costs, and certain limits on a borrower’s debt-to-income ratio. The LTV is to be calculated without including mortgage insurance. The following table shows the percentage of our new risk written by LTV for 2011 and 2010.

	Percentage of new risk written	
	2011	**2010**
LTV:		
80% and under	0%	0%
80.1% - 85%	6%	7%
85.1% - 90%	41%	48%
90.1% - 95%	50%	44%
95.1% - 97%	3%	1%
> 97%	0%	0%

The regulators requested public comments regarding an alternative QRM definition, the underwriting requirements of which would allow loans with a maximum LTV of 90%, higher debt-to-income ratios than allowed under the proposed QRM definition, and that may consider mortgage insurance in determining whether the LTV requirement is met. We estimate that approximately 22% of our new risk written in 2011 was on loans that would have met the alternative QRM definition.

The regulators also requested that the public comments include information that may be used to assess whether mortgage insurance reduces the risk of default. We submitted a comment letter, including studies to the effect that mortgage insurance reduces the risk of default.

The public comment period for the proposed rule expired on August 1, 2011. At this time we do not know when a final rule will be issued. Under the proposed rule, because of the capital support provided by the U.S. Government, the GSEs satisfy the Dodd-Frank risk-retention requirements while they are in conservatorship. Therefore, lenders that originate loans that are sold to the GSEs while they are in conservatorship will not be required to retain risk associated with those loans.

Depending on, among other things, (a) the final definition of QRM and its requirements for LTV, seller contribution and debt-to-income ratio, (b) to what extent, if any, the presence of mortgage insurance would allow for a higher LTV in the definition of QRM, and (c) whether lenders choose mortgage insurance for non-QRM loans, the amount of new insurance that we write may be materially adversely affected. See also "— 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."

Alternatives to private mortgage insurance include:

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

- 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 originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10%, 15% or 20% loan-to-value 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% loan-to-value ratio that has private mortgage insurance.

The FHA substantially increased its market share beginning in 2008. We believe that the FHA's market share increased, in part, because private mortgage insurers tightened their underwriting guidelines (which led to increased utilization of the FHA's programs) and because of increases in the amount of loan level delivery fees that the GSEs assess on loans (which result in higher costs to borrowers). In addition, federal legislation and programs provided the FHA with greater flexibility in establishing new products and increased the FHA's competitive position against private mortgage insurers. However, the FHA's current premium pricing, when compared to our current credit-tiered premium pricing (and considering the effects of GSE pricing changes), may allow us to be more competitive with the FHA than in the recent past for loans with high FICO credit scores. We cannot predict, however, the FHA's share of new insurance written in the future due to, among other factors, different loan eligibility terms between the FHA and the GSEs; potential increases in guarantee fees charged by the GSEs, including those that are scheduled to occur in April 2012; changes to the FHA's annual premiums that are expected to be phased in over the next two years; and the total profitability that may be realized by mortgage lenders from securitizing loans through Ginnie Mae when compared to securitizing loans through Fannie Mae or Freddie Mac.

Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.

The majority of our insurance written is for loans sold to Fannie Mae and Freddie Mac. The business practices of the GSEs affect the entire relationship between them, lenders and mortgage insurers and include:

- the level of private mortgage insurance coverage, subject to the limitations of the GSEs' charters (which may be changed by federal legislation), when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,

- the amount of loan level delivery fees (which result in higher costs to borrowers) that the GSEs assess on loans that require mortgage insurance,

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

- the underwriting standards that determine what loans are eligible for purchase by the GSEs, which can 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,

- the programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs,

- the terms that the GSEs require to be included in mortgage insurance policies for loans that they purchase, and

- the extent to which the GSEs intervene in mortgage insurers' rescission practices or rescission settlement practices with lenders. For additional information, see "— Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper."

In September 2008, the Federal Housing Finance Agency ("FHFA") was appointed as the conservator of the GSEs. As their conservator, FHFA controls and directs the operations of the GSEs. The appointment of FHFA as conservator, the increasing role that the federal government has assumed in the residential mortgage market, our industry's inability, due to capital constraints, to write sufficient business to meet the needs of the GSEs or other factors may increase the likelihood that the business practices of the GSEs change in ways that may have a material adverse effect on us. In addition, these factors may increase the likelihood that the charters of the GSEs are changed by new federal legislation. The Dodd-Frank Act required the U.S. Department of the Treasury to report its recommendations regarding options for ending the conservatorship of the GSEs. This report was released on February 11, 2011 and while it does not provide any definitive timeline for GSE reform, it does recommend using a combination of federal housing policy changes to wind down the GSEs, shrink the government's footprint in housing finance, and help bring private capital back to the mortgage market. Members of the House of Representatives and the Senate have since introduced several bills intended to scale back the GSEs. As a result of the matters referred to above, it is uncertain what role the GSEs, FHA and private capital, including private mortgage insurance, will play in the domestic residential housing finance system in the future or the impact of any such changes on our business. In addition, the timing of the impact on our business is uncertain. Any changes would require Congressional action to implement and it is difficult to estimate when Congressional action would be final and how long any associated phase-in period may last.

The GSEs have different loan purchase programs that allow different levels of mortgage insurance coverage. Under the "charter coverage" program, on certain loans lenders may choose a mortgage insurance coverage percentage that is less than the GSEs' "standard coverage" and only the minimum required by the GSEs' charters, with the GSEs paying a lower price for such loans. In 2011, nearly all of our volume was on loans with GSE standard coverage. We charge higher premium rates for higher coverage percentages. To the extent lenders selling loans to GSEs in the future choose charter coverage for loans that we insure, our revenues would be reduced and we could experience other adverse effects.

MGIC may not continue to meet the GSEs' mortgage insurer eligibility requirements.

The majority of our insurance written is for loans sold to Fannie Mae and Freddie Mac, each of which has mortgage insurer eligibility requirements to maintain the highest level of eligibility, including a financial strength rating of Aa3/AA-. Because MGIC does not meet such financial strength rating requirements of Fannie Mae and Freddie Mac (its financial strength rating from Moody's is B1, with the rating currently under review, and from Standard & Poor's is B+, with a negative outlook), MGIC is currently operating with each GSE as an eligible insurer under a remediation plan. We believe that the GSEs view remediation plans as a continuing process of interaction with a mortgage insurer and MGIC will continue to operate under a remediation plan for the foreseeable future. There can be no assurance that MGIC will be able to continue to operate as an eligible mortgage insurer under a remediation plan. In particular, the GSEs are currently in discussions with mortgage insurers regarding their standard mortgage insurer eligibility requirements and may make changes to them in the near future that may make them more stringent than the current requirements. The GSEs may include the eligibility requirements, as finally adopted, as part of our current remediation plan. If MGIC ceases to be eligible to insure loans purchased by one or both of the GSEs, it would significantly reduce the volume of our new business writings.

We have reported net losses for the last five years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability.

For the years ended December 31, 2011, 2010, 2009, 2008 and 2007, we had a net loss of $0.5 billion, $0.4 billion, $1.3 billion, $0.5 billion and $1.7 billion, respectively. We currently expect to continue to report annual net losses, the size of which will depend primarily on the amount of our incurred and paid losses from our existing business, which could increase due to developments in ongoing legal proceedings related to rescissions and the disagreement with Freddie Mac regarding the interpretation of a pool policy (see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future"), and to a lesser extent on the amount and profitability of our new business. Our incurred and paid losses are dependent on factors that make prediction of their amounts difficult and any forecasts are subject to significant volatility. Although we currently expect to return to profitability on an annual basis, we cannot assure you when, or if, this will occur. Conditions that could delay our return to profitability include low housing values, high unemployment rates, low cure rates, changes to our current rescission practices and unfavorable resolution of ongoing legal proceedings. In this regard, see "— Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper" and "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future." The net losses we have experienced have eroded, and any future net losses will erode, our shareholders' equity and could result in equity being negative.

Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper.

Historically, rescissions of policies for which claims have been submitted to us were not a material portion of our claims resolved during a year. However, beginning in 2008, our rescissions of policies have materially mitigated our paid losses. In each of 2009 and 2010, rescissions mitigated our paid losses by approximately $1.2 billion and in 2011, rescissions mitigated our paid losses by approximately $0.6 billion (in each case, the figure includes amounts that would have either resulted in a claim payment or been charged to a deductible under a bulk or pool policy, and may have been charged to a captive reinsurer). In recent quarters, 17% to 20% of claims received in a quarter have been resolved by rescissions, down from the peak of approximately 28% in the first half of 2009. In the second half of 2011, Countrywide materially increased the percentage of loans for which it is rebutting the assertions that we make prior to rescinding a loan. When we receive a rebuttal prior to a rescission, we do not rescind coverage until after we respond to the rebuttal. Therefore, in addition to our substantial pipeline of claims investigations, we have a substantial pipeline of pre-rescission rebuttals that, based on our historical experience with such rebuttals, we expect will eventually result in rescissions. We continue to expect that the percentage of claims that will be resolved through rescissions will continue to decline after resolution of the rebuttal pipeline.

Our loss reserving methodology incorporates the effects we expect rescission activity to have on the losses we expect to pay on our delinquent inventory. A variance between ultimate actual rescission rates and these estimates, as a result of the outcome of claims investigations, litigation, settlements or other factors, could materially affect our losses. See "—Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently very volatile, paid claims may be substantially different than our loss reserves." We estimate rescissions mitigated our incurred losses by approximately $2.5 billion in 2009 and $0.2 billion in 2010. In 2011, we estimate that rescissions had no significant impact on our losses incurred. All of these figures include the benefit of claims not paid in the period as well as the impact of changes in our estimated expected rescission activity on our loss reserves in the period. At December 31, 2011, we had 175,639 loans in our primary delinquency inventory; a significant portion of these loans will cure their delinquency or be rescinded and will not involve paid claims.

If the insured disputes our right to rescind coverage, the outcome of the dispute ultimately would be determined by legal proceedings. Legal proceedings disputing our right to rescind coverage may be brought up to three years after the lender has obtained title to the property (typically through a foreclosure) or the property was sold in a sale that we approved, whichever is applicable, although in a few jurisdictions there is a longer time to bring such an action. For the majority of our rescissions that are not subject to a settlement agreement, the period in which a dispute may be brought has not ended. We consider a rescission resolved for financial reporting purposes even though legal proceedings have been initiated and are ongoing. Although it is reasonably possible that, when the proceedings are completed, there will be a determination that we were not entitled to rescind in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability. Under ASC 450-20, an estimated loss from such proceedings is accrued for only if we determine that the loss is probable and can be reasonably estimated. Therefore, when establishing our loss reserves, we do not include additional loss reserves that would reflect an adverse outcome from ongoing legal proceedings, including those with Countrywide. For more information about these legal proceedings, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future."

In addition to the proceedings involving Countrywide, we are involved in legal proceedings with respect to rescissions that we do not consider to be collectively material in amount. Although it is reasonably possible that, when these discussions or proceedings are completed, there will be a conclusion or determination that we were not entitled to rescind in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability.

In 2010, we entered into a settlement agreement with a lender-customer regarding our rescission practices. In April 2011, Freddie Mac advised its servicers that they must obtain its prior approval for rescission settlements and Fannie Mae advised its servicers that they are prohibited from entering into such settlements. In addition, in April 2011, Fannie Mae notified us that we must obtain its prior approval to enter into certain settlements. We continue to discuss with other lender-customers their objections to material rescissions and have reached settlement terms with several of our significant lender-customers. Any definitive agreement with these customers would be subject to GSE approval. One GSE has approved one of our settlement agreements, but this agreement remains subject to the approval of the other GSE. We believe that it is probable (within the meaning of ASC 450-20) that this agreement will be approved by the other GSE. As a result, we considered the terms of the agreement when establishing our loss reserves at December 31, 2011. This agreement did not have a significant impact on our established loss reserves. Neither GSE has approved our other settlement agreements. There can be no assurances that both GSEs will approve any settlement agreements and the GSEs may approve some of our settlement agreements and reject others based on the specific terms of those agreements.

We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. 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 December 2004, following denial of class certification in June 2004. Since December 2006, class action litigation has been brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. On December 11, 2011, seven mortgage insurers (including MGIC) and a large mortgage lender (which was the named plaintiffs' lender) were named as defendants in a complaint, alleged to be a class action, filed in U.S. District Court for the Central District of California. On December 30, 2011, a similar complaint was filed in the U.S. District Court for the Eastern District of Pennsylvania by different plaintiffs against the same seven mortgage insurers and another large lender. The complaints in both cases alleged various causes of action related to the captive mortgage reinsurance arrangements of these two mortgage lenders, including that the defendants violated RESPA by paying excessive premiums to the lenders' captive reinsurer in relation to the risk assumed by that captive. The named plaintiffs' loans were not insured by MGIC. MGIC denies any wrongdoing and intends to vigorously defend itself against the allegations in the lawsuits. There can be no assurance that we will not be subject to further litigation under RESPA (or FCRA) or that the outcome of any such litigation, including the lawsuits mentioned above, would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department, we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the New York Insurance Department 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 New York Insurance Department 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 "MN Department"), which regulates insurance, we provided the MN Department with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the MN Department, and beginning in March 2008, the MN Department has sought additional information as well as answers to questions regarding captive mortgage reinsurance on several occasions, including as recently as May 2011.

In addition, beginning in June 2008, and as recently as December 2011, we received various subpoenas from the U.S. Department of Housing and Urban Development ("HUD"), seeking information about captive mortgage reinsurance similar to that requested by the MN Department, but not limited in scope to the state of Minnesota. In January 2012, we received correspondence from the Consumer Financial Protection Bureau ("CFPB") indicating that the CFPB had opened an investigation into captive mortgage reinsurance premium ceding practices by private mortgage insurers. In that correspondence, the CFPB also requested certain information regarding captive mortgage reinsurance transactions in which we participated. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

Various regulators, including the CFPB, state insurance commissioners and state attorneys general may bring actions seeking various forms of relief, including civil penalties and injunctions against violations 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 eventual scope, duration or outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

We are subject to comprehensive, detailed regulation by state insurance departments. These regulations are principally designed for the protection of our insured policyholders, rather than for the benefit of investors. Although their scope varies, state insurance laws generally grant broad supervisory powers to agencies or officials to examine insurance companies and enforce rules or exercise discretion affecting almost every significant aspect of the insurance business. Given the recent significant losses incurred by many insurers in the mortgage and financial guaranty industries, our insurance subsidiaries have been subject to heightened scrutiny by insurance regulators. State insurance regulatory authorities could take actions, including changes in capital requirements or termination of waivers of capital requirements, that could have a material adverse effect on us. In addition, we are uncertain whether the CFPB, established by the Dodd-Frank Act to regulate the offering and provision of consumer financial products or services under federal law, will issue any rules or regulations that affect our business apart from any action it may take as a result of its investigation of captive mortgage reinsurance. Such rules and regulations could have a material adverse effect on us.

In September 2010, a housing discrimination complaint was filed against MGIC with HUD alleging that MGIC violated the Fair Housing Act and discriminated against the complainant on the basis of her sex and familial status when MGIC underwrote her loan for mortgage insurance. In May 2011, HUD commenced an administrative action against MGIC and two of its employees, seeking, among other relief, aggregate fines of $48,000. The HUD complainant elected to have charges in the administrative action proceed in federal court and in July 2011, the U.S. Department of Justice ("DOJ") filed a civil complaint in the U.S. District Court for the Western District of Pennsylvania against MGIC and these employees on behalf of the complainant. The complaint seeks redress for the alleged housing discrimination, including compensatory and punitive damages for the alleged victims and a civil penalty payable to the United States. MGIC denies that any unlawful discrimination occurred and disputes many of the allegations in the complaint.

In October 2010, a separate purported class action lawsuit was filed against MGIC by the HUD complainant in the same District Court in which the DOJ action is pending alleging that MGIC discriminated against her on the basis of her sex and familial status when MGIC underwrote her loan for mortgage insurance. In May 2011, the District Court granted MGIC's motion to dismiss with respect to all claims except certain Fair Housing Act claims.

MGIC intends to vigorously defend itself against the allegations in both the class action lawsuit and the DOJ lawsuit. Based on the facts known at this time, we do not foresee the ultimate resolution of these legal proceedings having a material adverse effect on us.

Five previously-filed purported class action complaints filed against us and several of our executive officers were consolidated in March 2009 in the United States District Court for the Eastern District of Wisconsin and Fulton County Employees' Retirement System was appointed as the lead plaintiff. The lead plaintiff filed a Consolidated Class Action Complaint (the "Complaint") in June 2009. Due in part to its length and structure, it is difficult to summarize briefly the allegations in the Complaint but it appears the allegations are that we and our officers named in the Complaint violated the federal securities laws by misrepresenting or failing to disclose material information about (i) loss development in our insurance in force, and (ii) C-BASS (a former minority-owned, unconsolidated, joint venture investment), including its liquidity. The Complaint also named two officers of C-BASS with respect to the Complaints' allegations regarding C-BASS. Our motion to dismiss the Complaint was granted in February 2010. In March 2010, plaintiffs filed a motion for leave to file an amended complaint. Attached to this motion was a proposed Amended Complaint (the "Amended Complaint"). The Amended Complaint alleged that we and two of our officers named in the Amended Complaint violated the federal securities laws by misrepresenting or failing to disclose material information about C-BASS, including its liquidity, and by failing to properly account for our investment in C-BASS. The Amended Complaint also named two officers of C-BASS with respect to the Amended Complaint's allegations regarding C-BASS. The purported class period covered by the Amended Complaint began on February 6, 2007 and ended on August 13, 2007. The Amended Complaint sought damages based on purchases of our stock during this time period at prices that were allegedly inflated as a result of the purported violations of federal securities laws. In December 2010, the plaintiffs' motion to file an amended complaint was denied and the Complaint was dismissed with prejudice. In January 2011, the plaintiffs appealed the February 2010 and December 2010 decisions to the United States Court of Appeals for the Seventh Circuit; during oral argument before the Appeals Court regarding the case on January 12, 2012, the plaintiffs confirmed the appeal was limited to issues regarding C-BASS. In June 2011, the plaintiffs filed a motion with the District Court for relief from that court's judgment of dismissal on the ground of newly discovered evidence consisting of transcripts the plaintiffs obtained of testimony taken by the Securities and Exchange Commission in its now-terminated investigation regarding C-BASS. We are opposing this motion and the matter is awaiting decision by the District Court. We are unable to predict the outcome of these consolidated cases or estimate our associated expenses or possible losses. Other lawsuits alleging violations of the securities laws could be brought against us.

We understand several law firms have, among other things, issued press releases to the effect that they are investigating us, including whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment in or holding of our common stock or whether we breached other legal or fiduciary obligations to our shareholders. We intend to defend vigorously any proceedings that may result from these investigations.

With limited exceptions, our bylaws provide that our officers and 401(k) plan fiduciaries are entitled to indemnification from us for claims against them.

In December 2009, Countrywide filed a complaint for declaratory relief in the Superior Court of the State of California in San Francisco against MGIC. This complaint alleges that MGIC has denied, and continues to deny, valid mortgage insurance claims submitted by Countrywide and says it seeks declaratory relief regarding the proper interpretation of the insurance policies at issue. In October 2011, the United States District Court for the Northern District of California, to which the case had been removed, entered an order staying the litigation in favor of the arbitration proceeding we commenced against Countrywide in February 2010.

In the arbitration proceeding, we are seeking a determination that MGIC is entitled to rescind coverage on the loans involved in the proceeding. From January 1, 2008 through December 31, 2011, rescissions of Countrywide-related loans mitigated our paid losses on the order of $435 million. This amount is the amount we estimate we would have paid had the loans not been rescinded. On a per loan basis, the average amount that we would have paid had the loans not been rescinded was approximately $72,100. Various materials exchanged by MGIC and Countrywide bring into the dispute loans we did not previously consider to be Countrywide-related and loans on which MGIC rescinded coverage subsequent to those specified at the time MGIC began the proceeding (including loans insured through the bulk channel), and set forth Countrywide's contention that, in addition to the claim amounts under policies it alleges MGIC has improperly rescinded, Countrywide is entitled to other damages of almost $700 million as well as exemplary damages. Countrywide and MGIC have each selected 12 loans for which a three-member arbitration panel will determine coverage. While the panel's determination will not be binding on the other loans at issue, the panel will identify the issues for these 24 "bellwether" loans and strive to set forth findings of fact and conclusions of law in such a way as to aid the parties to apply them to the other loans at issue. The hearing before the panel on the bellwether loans was scheduled to begin in September 2012, but we and Countrywide have agreed that the parties will take steps to delay the hearing at least 60 days.

We intend to defend MGIC against any further proceedings arising from Countrywide's complaint and to advocate MGIC's position in the arbitration, vigorously. Although it is reasonably possible that, when the proceedings are completed, there will be a determination that we were not entitled to rescind in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability. Under ASC 450-20, an estimated loss is accrued for only if we determine that the loss is probable and can be reasonably estimated. Therefore, we have not accrued any reserves that would reflect an adverse outcome in this proceeding. An accrual for an adverse outcome in this (or any other) proceeding would be a reduction to our capital. In this regard, see "— Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis."

At December 31, 2011, 38,127 loans in our primary delinquency inventory were Countrywide-related loans (approximately 22% of our primary delinquency inventory). Of these 38,127 loans, we expect a significant portion will cure their delinquency or be rescinded and will not involve paid claims. From January 1, 2008 through December 31, 2011, of the claims on Countrywide-related loans that were resolved (a claim is resolved when it is paid or rescinded; claims that are submitted but which are under review are not resolved until one of these two outcomes occurs), approximately 78% were paid and the remaining 22% were rescinded.

The flow policies at issue with Countrywide are in the same form as the flow policies that we use with all of our customers, and the bulk policies at issue vary from one another, but are generally similar to those used in the majority of our Wall Street bulk transactions. Because our rescission practices with Countrywide do not differ from our practices with other servicers with which we have not entered into settlement agreements, an adverse result in the Countrywide proceeding may adversely affect the ultimate result of rescissions involving other servicers and lenders. From January 1, 2008 through December 31, 2011, we estimate that total rescissions mitigated our incurred losses by approximately $3.1 billion, which included approximately $2.6 billion of mitigation on paid losses, excluding $0.6 billion that would have been applied to a deductible. At December 31, 2011, we estimate that our total loss reserves were benefited from rescissions by approximately $0.7 billion.

In addition to the rescissions at issue with Countrywide, we have a substantial pipeline of claims investigations and pre-rescission rebuttals (including those involving loans related to Countrywide) that we expect will eventually result in future rescissions. For additional information about rescissions as well as rescission settlement agreements, see "— Our losses could increase if rescission rates decrease faster than we are projecting or we do not prevail in proceedings challenging whether our rescissions were proper."

MGIC and Freddie Mac disagree on the amount of the aggregate loss limit under certain pool insurance policies insuring Freddie Mac that share a single aggregate loss limit. The aggregate loss limit is approximately $535 million higher under Freddie Mac's interpretation than under our interpretation. We account for losses under our interpretation although it is reasonably possible that were the matter to be decided by a third party our interpretation would not prevail. The differing interpretations had no effect on our results until the second quarter of 2011. For 2011, our incurred losses would have been $192 million higher in the aggregate had they been recorded based on Freddie Mac's interpretation, and our capital and Capital Requirements would have been negatively impacted. See our risk factor titled, "Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis." We expect the incurred losses that would have been recorded under Freddie Mac's interpretation will continue to increase in future quarters. We have discussed the disagreement with Freddie Mac in an effort to resolve it and expect that these discussions will continue.

In addition to the matters described above, we are involved in other legal proceedings in the ordinary course of business. In our opinion, based on the facts known at this time, the ultimate resolution of these ordinary course legal proceedings will not have a material adverse effect on our financial position or results of operations.

The settlement agreement we reached with the Internal Revenue Service, relating to significant proposed adjustments to our taxable income for 2000 through 2007, may not be finalized.

The Internal Revenue Service ("IRS") completed separate examinations of our federal income tax returns for the years 2000 through 2004 and 2005 through 2007 and issued assessments for unpaid taxes, interest and penalties related 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"). This portfolio has been managed and maintained during years prior to, during and subsequent to the examination period. The IRS indicated that it did not believe that, for various reasons, we had established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. The IRS assessment related to the REMIC issue is $190.7 million in taxes and penalties. There would also be applicable interest, which may be substantial. Additional state income taxes along with any applicable interest may become due when a final resolution is reached and could also be substantial. We appealed these assessments within the IRS and, in 2007, we made a payment of $65.2 million with the United States Department of the Treasury related to this assessment. In August 2010, we reached a tentative settlement agreement with the IRS. Because net operating losses that we incurred in 2009 were carried back to taxable years that were included in the settlement agreement, it was subject to review by the Joint Committee on Taxation of Congress. Following that review, the IRS indicated that it is reconsidering the terms of the settlement. We are attempting to address the IRS' concerns, but there is a risk that we may not be able to settle the proposed adjustments with the IRS or, alternatively, that the terms of any final settlement will be more costly to us than the currently proposed settlement. In the event that we are unable to reach any settlement of the proposed adjustments, we would be required to litigate their validity in order to avoid a full concession to the IRS. Any such litigation could be lengthy and costly in terms of legal fees and related expenses. We adjusted our tax provision and liabilities for the effects of the tentative settlement agreement in 2010. The IRS' reconsideration of the terms of the settlement agreement did not affect these previously recorded items. However, we would need to make appropriate adjustments, which could be material, to our tax provision and liabilities if our view of the probability of success in this matter changes or we enter into a new settlement agreement, and the ultimate resolution of this matter could have a material negative impact on our effective tax rate, results of operations, cash flows and statutory capital. In this regard, see "— Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis."

Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods.

In accordance with generally accepted accounting principles in the United States, commonly referred to as GAAP, we establish loss reserves only for loans in default. Reserves are established for reported insurance losses and loss adjustment expenses based on when notices of default on insured mortgage loans are received. Reserves are also established for estimated losses incurred on notices of default that have not yet been reported to us by the servicers (this is often referred to as "IBNR"). We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss. Because our reserving method does not take account of the impact of future losses that could occur from loans that are not delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our financial statements, except in the case where a premium deficiency exists. As a result, future losses may have a material impact on future results as such losses emerge.

Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently very volatile, paid claims may be substantially different than our loss reserves.

We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss on delinquent loans. The estimated claim rates and claim amounts represent our best estimates of what we will actually pay on the loans in default as of the reserve date and incorporate anticipated mitigation from rescissions. We rescind policies and deny claims in cases where we believe our policy allows us to do so. Therefore, when establishing our loss reserves, we do not include additional loss reserves that would reflect an adverse development from ongoing dispute resolution proceedings, including those with Countrywide, or from ongoing disagreements over the interpretation of our policy, including those with Freddie Mac related to the computation of the aggregate loss limit under a pool insurance policy. For more information regarding our legal proceedings with Countrywide and the Freddie Mac disagreement, see "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future."

The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. Current conditions in the housing and mortgage industries make the assumptions that we use to establish loss reserves more volatile than they would otherwise be. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions, including unemployment, leading to a reduction in borrowers' income and thus their ability to make mortgage payments, a further drop in housing values that could result in, among other things, greater losses on loans that have pool insurance, and mitigation from rescissions being materially less than assumed. Changes to our estimates could result in material impact to our results of operations, even in a stable economic environment, and there can be no assurance that actual claims paid by us will not be substantially different than our loss reserves.

Loan modification and other similar programs may not continue to provide material benefits to us and our losses on loans that re-default can be higher than what we would have paid had the loan not been modified.

Beginning in the fourth quarter of 2008, the federal government, including through the Federal Deposit Insurance Corporation and the GSEs, and several lenders have adopted programs to modify loans to make them more affordable to borrowers with the goal of reducing the number of foreclosures. During 2010 and 2011, we were notified of modifications that cured delinquencies that had they become paid claims would have resulted in approximately $3.2 billion and $1.8 billion, respectively, of estimated claim payments. As noted below, we cannot predict with a high degree of confidence what the ultimate re-default rate will be. For internal reporting purposes, we assume approximately 50% of those modifications will ultimately re-default, and those re-defaults may result in future claim payments. Because modifications cure the defaults with respect to the previously defaulted loans, our loss reserves do not account for potential re-defaults unless at the time the reserve is established, the re-default has already occurred. Based on information that is provided to us, most of the modifications resulted in reduced payments from interest rate and/or amortization period adjustments; less than 5% resulted in principal forgiveness.

One loan modification program is the Home Affordable Modification Program (“HAMP”). Some of HAMP’s eligibility criteria relate to the borrower’s current income and non-mortgage debt payments. Because the GSEs and servicers do not share such information with us, we cannot determine with certainty the number of loans in our delinquent inventory that are eligible to participate in HAMP. We believe that it could take several months from the time a borrower has made all of the payments during HAMP’s three month “trial modification” period for the loan to be reported to us as a cured delinquency.

We rely on information provided to us by the GSEs and servicers. We do not receive all of the information from such sources that is required to determine with certainty the number of loans that are participating in, or have successfully completed, HAMP. We are aware of approximately 12,290 loans in our primary delinquent inventory at December 31, 2011 for which the HAMP trial period has begun and which trial periods have not been reported to us as completed or cancelled. Through December 31, 2011 approximately 37,100 delinquent primary loans have cured their delinquency after entering HAMP and are not in default. We believe that we have realized the majority of the benefits from HAMP because the number of loans insured by us that we are aware are entering HAMP trial modification periods has decreased significantly over time.

In 2009, the GSEs began offering the Home Affordable Refinance Program (“HARP”). HARP allows borrowers who are not delinquent but who may not otherwise be able to refinance their loans under the current GSE underwriting standards, to refinance their loans. We allow the HARP refinances on loans that we insure, regardless of whether the loan meets our current underwriting standards, and we account for the refinance as a loan modification (even where there is a new lender) rather than new insurance written. To incent lenders to allow more current borrowers to refinance their loans, in October 2011, the GSEs and their regulator, FHFA, announced an expansion of HARP. The expansion includes, among other changes, releasing certain representations in certain circumstances benefitting the GSEs. We have agreed to allow these additional HARP refinances, including releasing the insured in certain circumstances from certain rescission rights we would have under our policy. While an expansion of HARP may result in fewer delinquent loans and claims, our ability to rescind coverage will be limited in certain circumstances. We are unable to predict what net impact these changes may have on our incurred or paid losses.

The effect on us of loan modifications depends on how many modified loans subsequently re-default, which in turn can be affected by changes in housing values. Re-defaults can result in losses for us that could be greater than we would have paid had the loan not been modified. At this point, we cannot predict with a high degree of confidence what the ultimate re-default rate will be. In addition, because we do not have information in our database for all of the parameters used to determine which loans are eligible for modification programs, our estimates of the number of loans qualifying for modification programs are inherently uncertain. If legislation is enacted to permit a portion of a borrower’s mortgage loan balance to be reduced in bankruptcy and if the borrower re-defaults after such reduction, then the amount we would be responsible to cover would be calculated after adding back the reduction. Unless a lender has obtained our prior approval, if a borrower’s mortgage loan balance is reduced outside the bankruptcy context, including in association with a loan modification, and if the borrower re-defaults after such reduction, then under the terms of our policy the amount we would be responsible to cover would be calculated net of the reduction.

Eligibility under certain loan modification programs can also adversely affect us by creating an incentive for borrowers who are able to make their mortgage payments to become delinquent in an attempt to obtain the benefits of a modification. New notices of delinquency increase our incurred losses.

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.

The factors that affect the volume of low down payment mortgage originations include:

- restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues and risk-retention requirements associated with non-QRM loans affecting lenders,
- the level of home mortgage interest rates and the deductibility of mortgage interest for income tax purposes,
- 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 loan-to-value ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

As noted above, the Dodd-Frank Act established the CFPB to regulate the offering and provision of consumer financial products or services under federal law. We are uncertain whether this Bureau will issue any rules or regulations that affect our business or the volume of low down payment home mortgage originations. Such rules and regulations could have a material adverse effect on our financial position or results of operations.

A decline in the volume of low down payment home mortgage originations could decrease demand for mortgage insurance, decrease our new insurance written and reduce our revenues. Such a decline could be caused by, among other things, the definition of "qualified residential mortgages" by regulators implementing the Dodd-Frank Act. See "— The amount of insurance we write could be adversely affected if the definition of Qualified Residential Mortgage results in a reduction of the number of low down payment loans available to be insured or if lenders and investors select alternatives to private mortgage insurance."

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

In recent years, the level of competition within the private mortgage insurance industry has been intense as many large mortgage lenders 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. During 2010 and 2011, approximately 11% and 9%, respectively, of our new insurance written was for loans for which one lender was the original insured, although revenue from such loans was significantly less than 10% of our revenues during each of those periods. Our private mortgage insurance competitors include:

- Genworth Mortgage Insurance Corporation,
- United Guaranty Residential Insurance Company,
- Radian Guaranty Inc.,
- CMG Mortgage Insurance Company, and
- Essent Guaranty, Inc.

As noted above, PMI Mortgage Insurance Company and Republic Mortgage Insurance Company ceased writing business in 2011. Until recently, the mortgage insurance industry had not had new entrants in many years. In 2010, Essent Guaranty, Inc. began writing new mortgage insurance. Essent has publicly reported that one of its investors is JPMorgan Chase which is one of our customers. The perceived increase in credit quality of loans that are being insured today combined with the deterioration of the financial strength ratings of the existing mortgage insurance companies could encourage new entrants. The FHA, which in recent years was not viewed by us as a significant competitor, substantially increased its market share beginning in 2008.

Our relationships with our customers could be adversely affected by a variety of factors, including tightening of and adherence to our underwriting guidelines, which have resulted in our declining to insure some of the loans originated by our customers and rescission of loans that affect the customer. We have ongoing discussions with lenders who are significant customers regarding their objections to our rescissions. In the fourth quarter of 2009, Countrywide commenced litigation against us as a result of its dissatisfaction with our rescission practices shortly after Countrywide ceased doing business with us. See "— We are defendants in private and government litigation and are subject to the risk of additional private litigation, government litigation and regulatory proceedings in the future" for more information about this litigation and the arbitration case we filed against Countrywide regarding rescissions.

We believe some lenders assess a mortgage insurer's financial strength rating as an important element of the process through which they select mortgage insurers. As a result of MGIC's less than investment grade financial strength rating, MGIC may be competitively disadvantaged with these lenders. MGIC's financial strength rating from Moody's is B1, with the rating currently under review, and from Standard & Poor's is B+ with a negative outlook. It is possible that MGIC's financial strength ratings could decline from these levels.

Downturns in the domestic economy or declines in the value of borrowers' homes from their value at the time their loans closed 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. In general, favorable economic conditions 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, including an increase in unemployment, generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home. 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 and the cost of mortgage credit due to more stringent underwriting standards, liquidity issues and risk-retention requirements associated with non-QRM loans affecting lenders, higher interest rates generally or changes to the deductibility of mortgage interest for income tax purposes, or other factors. The residential mortgage market in the United States has for some time experienced a variety of poor or worsening economic conditions, including a material nationwide decline in housing values, with declines continuing in 2011 in a number of geographic areas. Home values may continue to deteriorate and unemployment levels may remain elevated or increase.

The mix of business we write also affects the likelihood of losses occurring.

Even when housing values are stable or rising, mortgages with certain characteristics have higher probabilities of claims. These characteristics include loans with loan-to-value ratios over 95% (or in certain markets that have experienced declining housing values, over 90%), FICO credit scores below 620, limited underwriting, including limited borrower documentation, or higher total debt-to-income ratios, as well as loans having combinations of higher risk factors. As of December 31, 2011, approximately 25.9% of our primary risk in force consisted of loans with loan-to-value ratios greater than 95%, 8.5% had FICO credit scores below 620, and 10.2% had limited underwriting, including limited borrower documentation, each attribute as determined at the time of loan origination. A material portion of these loans were written in 2005 — 2007 or the first quarter of 2008. In accordance with industry practice, loans approved by GSEs and other automated underwriting systems under "doc waiver" programs that do not require verification of borrower income are classified by us as "full documentation." For additional information about such loans, see footnote (1) to the Additional Information at the end of the press release furnished in Exhibit 99.1.

From time to time, in response to market conditions, we change the types of loans that we insure and the guidelines under which we insure them. In addition, we make exceptions to our underwriting guidelines on a loan-by-loan basis and for certain customer programs. Together these exceptions accounted for fewer than 5% of the loans we insured in the second half of 2010 and in 2011. A large percentage of the exceptions were made for loans with debt-to-income ratios slightly above our guideline. Beginning in September 2009, we have made changes to our underwriting guidelines that have allowed certain loans to be eligible for insurance that were not eligible prior to those changes and we expect to continue to make changes in appropriate circumstances in the future. Our underwriting guidelines are available on our website at http://www.mgic.com/guides/underwriting.html.

As of December 31, 2011, approximately 2.6% of our primary risk in force written through the flow channel, and 33.0% of our primary risk in force written through the bulk channel, consisted 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 when the reset interest rate significantly exceeds the interest rate at loan origination, claims on ARMs and adjustable rate mortgages whose interest rates may only be adjusted after five years would be substantially higher than for fixed rate loans. 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 have insured "interest-only" loans, which may also be ARMs, and loans with negative amortization features, such as pay option ARMs. We believe claim rates on these loans will be substantially higher than on loans without scheduled payment increases that are made to borrowers of comparable credit quality.

Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will be adequate to compensate for actual losses even under our current underwriting guidelines. We do, however, believe that given the various changes in our underwriting guidelines that were effective beginning in the first quarter of 2008, our insurance written beginning in the second quarter of 2008 will generate underwriting profits.

The premiums we charge may not be adequate to compensate us for our liabilities for losses and as a result any inadequacy could materially affect our financial condition and results of operations.

We set premiums at the time a policy is issued based on our expectations regarding likely performance over the long-term. Our premiums are subject to approval by state regulatory agencies, which can delay or limit our ability to increase our premiums. Generally, we cannot cancel the mortgage insurance coverage or adjust renewal premiums during the life of a mortgage insurance policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. The premiums we charge, and the associated investment income, may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our results of operations or financial condition.

In January 2008, we announced that we had decided to stop writing the portion of our bulk business that insures loans which are included in Wall Street securitizations because the performance of loans included in such securitizations deteriorated materially in the fourth quarter of 2007 and this deterioration was materially worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. As of December 31, 2007 we established a premium deficiency reserve of approximately $1.2 billion. As of December 31, 2011, the premium deficiency reserve was $134.8 million, which reflects the present value of expected future losses and expenses that exceeds the present value of expected future premium and already established loss reserves on these bulk transactions.

We continue to experience material losses, especially on the 2006 and 2007 books. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices, which in turn will be influenced by general economic conditions and other factors. Because we cannot predict future home prices or general economic conditions with confidence, there is significant uncertainty surrounding what our ultimate losses will be on our 2006 and 2007 books. Our current expectation, however, is that these books will continue to generate material incurred and paid losses for a number of years. There can be no assurance that additional premium deficiency reserves on Wall Street Bulk or on other portions of our insurance portfolio will not be required.

It is uncertain what effect foreclosure moratoriums and issues arising from the investigation of servicers' foreclosure procedures will have on us.

Various government entities and private parties have from time to time enacted foreclosure (or equivalent) moratoriums and suspensions (which we collectively refer to as moratoriums). Recently, various government agencies have been investigating large mortgage servicers and other parties to determine whether they acted improperly in foreclosure proceedings. We do not know what effect improprieties that may have occurred in a particular foreclosure have on the validity of that foreclosure, once it was completed and the property transferred to the lender. Under our policy, in general, completion of a foreclosure is a condition precedent to the filing of a claim.

Past moratoriums, which were imposed to afford time to determine whether loans could be modified, did not stop the accrual of interest or affect other expenses on a loan, and we cannot predict whether any future moratorium would do so. Therefore, unless a loan is cured during a moratorium, at the expiration of a moratorium, additional interest and expenses may be due to the lender from the borrower. For certain moratoriums (e.g., those imposed in order to afford time to modify loans), our paid claim amount may include some additional interest and expenses. For moratoriums or delays resulting from investigations into servicers and other parties' actions in foreclosure proceedings, our willingness to pay additional interest and expenses may be different, subject to the terms of our mortgage insurance policies. The various moratoriums and delays may temporarily delay our receipt of claims and may increase the length of time a loan remains in our delinquent loan inventory.

In early January 2011, the highest court in Massachusetts, a state in which foreclosures are accomplished by private sale rather than judicial action, held the foreclosure laws of that state required a person seeking to foreclose a mortgage to be the holder of the mortgage at the time notice of foreclosure was published. The servicers who had foreclosed in this case did not provide sufficient evidence that they were the holders of the mortgages and therefore they lacked authority to foreclose. Some courts in other jurisdictions have considered similar issues and reached similar conclusions, but other courts have reached different conclusions. These decisions have not had a direct impact on our claims processes or rescissions.

We are susceptible to disruptions in the servicing of mortgage loans that we insure.

We depend on reliable, consistent third-party servicing of the loans that we insure. Over the last several years, the mortgage loan servicing industry has experienced consolidation. The resulting reduction in the number of servicers could lead to disruptions in the servicing of mortgage loans covered by our insurance policies. In addition, current housing market trends have led to significant increases in the number of delinquent mortgage loans requiring servicing. These increases have strained the resources of servicers, reducing their ability to undertake mitigation efforts that could help limit our losses, and have resulted in an increasing amount of delinquent loan servicing being transferred to specialty servicers. The transfer of servicing can cause a disruption in the servicing of delinquent loans. Future housing market conditions could lead to additional increases in delinquencies. Managing a substantially higher volume of non-performing loans could lead to increased disruptions in the servicing of mortgages. Investigations into whether servicers have acted improperly in foreclosure proceedings may further strain the resources of servicers.

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.

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 a significant determinant of our 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 current value of 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. Since 2000, our year-end persistency ranged from a high of 84.7% at December 31, 2009 to a low of 47.1% at December 31, 2003. Future premiums on our insurance in force represent a material portion of our claims paying resources.

Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock.

As noted above under "—Regulatory capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis," we may be required to raise additional equity capital. Any such future sales would dilute your ownership interest in our company. In addition, the market price of our common stock could decline as a result of sales of a large number of shares or similar securities in the market or the perception that such sales could occur.

We have $389.5 million principal amount of 9% Convertible Junior Subordinated Debentures outstanding. The principal amount of the debentures is currently convertible, at the holder's option, at an initial conversion rate, which is subject to adjustment, of 74.0741 common shares per $1,000 principal amount of debentures. This represents an initial conversion price of approximately $13.50 per share. We have the right, and may elect, to defer interest payable under the debentures in the future. If a holder elects to convert its debentures, the interest that has been deferred on the debentures being converted is also converted into shares of our common stock. The conversion rate for such deferred interest is based on the average price that our shares traded at during a 5-day period immediately prior to the election to convert the associated debentures. We also have $345 million principal amount of 5% Convertible Senior Notes outstanding. The Senior Notes are convertible, at the holder's option, at an initial conversion rate, which is subject to adjustment, of 74.4186 shares per $1,000 principal amount at any time prior to the maturity date. This represents an initial conversion price of approximately $13.44 per share. We do not have the right to defer interest on these Senior Notes.

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

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, or other changes to our customers' capital requirements, may discourage the use of mortgage insurance.

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee") developed the Basel Capital Accord (Basel I), which set out international benchmarks for assessing banks' capital adequacy requirements. In June 2005, the Basel Committee issued an update to Basel I (as revised in November 2005, Basel II). Basel II was implemented by many banks in the United States and many other countries in 2009 and 2010. Basel II 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, or other changes to our customers' capital requirements, 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.

The discussion above does not reflect the release by the Basel Committee in December 2010 of the nearly final version of Basel III or the subsequent guidance issued. Basel III will increase the capital requirements of certain banking organizations. Implementation of Basel III will require formal regulations, which have not yet been proposed by the federal banking agencies and will involve a substantial phase-in period. We are continuing to evaluate the potential effects of the Basel III guidelines on our business.

Our Australian operations may suffer significant losses.

We committed significant resources to begin international operations, primarily in Australia, where we started to write business in June 2007. Since 2008, we are no longer writing new business in Australia and we have reduced our headcount. Our existing risk in force in Australia is subject to the risks described in the general economic and insurance business-related factors discussed above. In addition to these risks, we are subject to a number of other risks from having deployed capital in Australia, including foreign currency exchange rate fluctuations and interest-rate volatility particular to Australia.