

News Release

MGIC Investment Corporation

New York Stock Exchange Common Stock Symbol -- MTG

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

The MGIC logo consists of the letters "MGIC" in a bold, blue, sans-serif font.

*We don't make home loans
We make home loans possible*

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MGIC Investment Corporation Third Quarter Earnings Per Share \$1.41 (Excluding Realized Gains)

MILWAUKEE (October 10, 2002) — MGIC Investment Corporation (NYSE:MTG) today reported diluted earnings per share for the quarter ended September 30, 2002 of \$1.47, which equaled the \$1.47 for the same quarter a year ago. Earnings per share for the quarter, excluding realized gains, was \$1.41, compared with \$1.43 for the third quarter of 2001. Net income for the quarter was \$151.6 million, compared with \$159.0 million in the third quarter last year.

For the first nine months of 2002, diluted earnings per share was \$4.66, compared with \$4.43 last year, a 5 percent increase. Earnings per share for the nine months, excluding realized gains, was \$4.52, a 6 percent increase over the \$4.26 reported for the same period last year. Net income for the first nine months was \$491.7 million, compared with \$478.1 million for the same period last year, an increase of 3 percent.

Curt S. Culver, president and chief executive officer of MGIC Investment Corporation and Mortgage Guaranty Insurance Corporation (MGIC), said that in spite of a challenging business environment, MGIC Investment achieved net income in the third quarter of \$151.6 million; wrote \$21.9 billion of new insurance, which increased insurance in force by \$2.1 billion to \$196.6 billion despite record low persistency; and grew the investment portfolio to \$4.6 billion. As a continued demonstration of the Company's belief in MGIC Investment's strong future, the Company repurchased 3.1 million shares of its stock in the quarter, bringing the year-to-date total to 5.8 million shares.

Total revenues for the third quarter were \$390.8 million, up 15 percent from \$339.8 million in the third quarter of 2001. The growth in revenues resulted from a 13 percent increase in net premiums earned to \$299.0 million, and an increase in other revenues. Net premiums written for the quarter were \$301.4 million, compared with \$271.0 million in the third quarter last year, an increase of 11 percent.

New insurance written in the third quarter was \$21.9 billion, compared to \$23.4 billion in the third quarter of 2001. New insurance written for the quarter included \$4.5 billion of bulk business compared with \$6.7 billion in the same period last year.

Persistency, or the percentage of insurance remaining in force from one year prior, was 58.9 percent at September 30, 2002, compared with 61.0 percent at December 31, 2001, and 67.7 percent at September 30, 2001. As of September 30, 2002, MGIC's primary insurance in force was \$196.6 billion, compared with \$183.9 billion at December 31, 2001, and \$179.6 billion at September 30, 2001. The book value of MGIC Investment Corporation's investment portfolio was \$4.6 billion at September 30, 2002, compared with \$4.1 billion at December 31, 2001, and \$4.0 billion at September 30, 2001.

At September 30, 2002, the percentage of loans that were delinquent, excluding bulk loans, was 2.85 percent, compared with 2.65 percent at December 31, 2001, and 2.41 percent at September 30, 2001. Including bulk loans, the percentage of loans that were delinquent at September 30, 2002 was 4.04 percent, compared to 3.46 percent at December 31, 2001, and 3.14 percent at September 30, 2001.

Losses incurred in the third quarter were \$101.1 million, up from \$43.5 million reported for the same period last year due to increases in the delinquency inventory and paid losses.

The Company previously announced that it expected diluted earnings per share, excluding realized gains, for the fourth quarter of 2002 to be in a range of \$1.30 to \$1.40. The Company is refining that guidance to a range of \$1.30 to \$1.35 per share.

The Company is not changing the range of its prior earnings guidance for 2003, which is that it expects diluted earnings per share, excluding realized gains, to be in a range of \$6.05 to \$6.20.

The Company's earnings expectation for 2003 is built on assumptions that include (all comparisons are between 2003 and 2002):

- a decline of approximately \$600 billion in refinance volume in the mortgage origination market, with purchase money volume continuing to remain strong;
- improving persistency due to lower refinances;
- lower growth in earned premiums;
- lower underwriting expenses due to lower refinances; and
- higher incurred losses.

The Company is not undertaking any obligation to update its earnings expectations or any other forward-looking statements in this press release.

About MGIC

MGIC (www.mgic.com), the principal subsidiary of MGIC Investment Corporation, is the nation's leading provider of private mortgage insurance coverage with \$196.6 billion primary insurance in force covering 1.7 million mortgages as of September 30, 2002. MGIC serves 5,000 lenders with locations across the country and in Puerto Rico, helping families achieve homeownership sooner by making affordable low-down-payment mortgages a reality.

Webcast Details

As previously announced, MGIC Investment Corporation will hold a webcast today at 10 a.m. ET to allow securities analysts and shareholders the opportunity to hear management discuss the company's quarterly results. The call is being webcast and can be accessed at the company's website at www.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 through November 10, 2002.

Safe Harbor Statement

Forward-Looking Statements and Risk Factors:

The statements contained in this release regarding the Company's expectation for earnings for 2003 and for the fourth quarter of 2002 and any other statements in this release or made on the earnings webcast that are not historical facts are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ materially from those projected in the forward-looking statements are that the assumptions, including those set forth above, may not be realized, including for reasons discussed in more detail below, and that expenses may not decline to the extent assumed. Other factors that could cause actual results to differ materially from those projected in the forward-looking statements include the risks noted below.

As the domestic economy deteriorates, more homeowners may default and the Company's losses may increase by a greater amount than assumed.

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as unemployment, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. Favorable economic conditions generally reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values.

Persistency may not improve as assumed.

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

- the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and
- mortgage insurance cancellation policies of mortgage investors along with the rate of home price appreciation experienced by the homes underlying the mortgages in the insurance in force.

The volume of low down payment home mortgage originations that are purchase transactions could be less than assumed, with the result that the amount of insurance the Company writes could be less than assumed.

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

- the level of home mortgage interest rates,
- the health of the domestic economy as well as conditions in regional and local economies,
- housing affordability,
- population trends, including the rate of household formation,
- the rate of home price appreciation, which in times of heavy refinancing can affect whether refinance loans have loan-to-value ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

Even if the Company's low down payment mortgage origination assumption is realized, the amount of insurance that the Company writes could be less than assumed if lenders and investors select alternatives to private mortgage insurance.

These alternatives to private mortgage insurance include:

- lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration,
- investors holding mortgages in portfolio and self-insuring,
- investors using credit enhancements other than private mortgage insurance or using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, and
- lenders structuring mortgage originations to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10% loan-to-value ratio (referred to as an 80-10-10 loan) rather than a first mortgage with a 90% loan-to-value ratio. While no data is publicly available, the Company believes lenders and investors are making more 80-10-10 loans than they did in the past.

Changes in the business practices of Fannie Mae and Freddie Mac could reduce the Company's revenues or increase its losses.

The business practices of Fannie Mae and Freddie Mac affect the entire relationship between them and mortgage insurers and include:

- the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,
- whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,
- whether Fannie Mae or Freddie Mac will give mortgage lenders an incentive, such as a reduced guaranty fee, to select a mortgage insurer that has a "AAA" claims-paying ability rating to benefit from the lower

- capital requirements for Fannie Mae and Freddie Mac when a mortgage is insured by a company with that rating,
- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,
 - the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and
 - the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

Changes in the business practices of the Company's competitors or its customers could reduce the Company's revenues or increase its losses.

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but increasingly with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated by the lender. In 1996, the Company shared risk under captive reinsurance and GSE risk sharing arrangements with respect to virtually none of its new insurance written. During the nine months ended September 30, 2002, about 54% of the Company's new insurance written on a flow basis was subject to captive reinsurance and GSE risk sharing arrangements. The level of competition within the private mortgage insurance industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders. The Company's top ten customers generated 27.0% of the new primary insurance that it wrote on a flow basis in 1997 compared to 38.4% in 2001.

Net premiums written could be adversely affected if a proposed regulation by the Department of Housing and Urban Development under the Real Estate Settlement Procedures Act is adopted.

The regulations of the Department of Housing and Urban Development under the Real Estate Settlement Procedures Act prohibit paying lenders for the referral of settlement services, including mortgage insurance, and prohibit lenders from receiving such payments. In July 2002, the Department of Housing and Urban Development proposed a regulation that would exclude from these anti-referral fee provisions settlement services included in a package of settlement services offered to a borrower at a guaranteed price. If mortgage insurance is required on the loan, the package must include any mortgage insurance premium paid at settlement. Although certain state insurance regulations prohibit an insurer's payment of referral fees, adoption of this regulation by the Department of Housing and Urban Development could adversely affect the Company's revenues to the extent that lenders offered such packages and received value from the Company in excess of what they could have received were the anti-referral fee provisions of the Real Estate Settlement Procedures Act to apply and if such state regulations were not applied to prohibit such payments.

The mortgage insurance industry is subject to litigation risk.

In recent years, consumers have brought a growing number of lawsuits against home mortgage lenders and settlement service providers. As of the end of September 2002, seven mortgage insurers, including the Company's MGIC subsidiary, were involved in litigation alleging violations of the Real Estate Settlement Procedures Act. MGIC and two other mortgage insurers entered into an agreement to settle the cases against them in December 2000, and another mortgage insurer entered into a comparable settlement agreement in February 2002. In June 2001, the Court entered a final order approving the settlement to which MGIC and the other two insurers are parties, although due to appeals challenging certain aspects of this settlement, the final implementation of the settlement will not occur until the appeals are resolved. The Company took a \$23.2 million pretax charge in 2000 to cover MGIC's share of the estimated costs of the settlement. While MGIC's settlement includes an injunction that prohibits certain practices and specifies the basis on which other practices may be done in compliance with the Real Estate Settlement Procedures Act, MGIC may still be subject to future litigation under the Real Estate Settlement Procedures Act.

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(in thousands of dollars, except per share data)			
Net premiums written	\$ 301,361	\$ 271,006	\$ 871,073	\$ 757,497
Net premiums earned	\$ 298,953	\$ 264,780	\$ 871,571	\$ 763,334
Investment income	51,036	51,021	154,640	152,632
Realized gains	8,891	7,247	21,984	28,822
Other revenue	31,926	16,788	102,014	55,070
Total revenues	390,806	339,836	1,150,209	999,858
Losses and expenses:				
Losses incurred	101,094	43,468	225,224	109,149
Underwriting, other expenses	66,797	59,787	197,555	172,552
Interest expense	10,070	7,604	26,522	23,294
Ceding commission	(2,151)	(1,470)	(5,392)	(4,057)
Total losses and expenses	175,810	109,389	443,909	300,938
Income before tax	214,996	230,447	706,300	698,920
Provision for income tax	63,426	71,455	214,607	220,786
Net income	\$ 151,570	\$ 158,992	\$ 491,693	\$ 478,134
Weighted average common shares outstanding (Shares in thousands)	103,361	108,218	105,511	108,036
Diluted earnings per share (1)	\$ 1.47	\$ 1.47	\$ 4.66	\$ 4.43

OTHER INFORMATION

New primary insurance written ("NIW") (\$ millions)	\$ 21,898	\$ 23,375	\$ 67,281	\$ 62,503
New primary risk written (\$ millions)	\$ 5,607	\$ 5,715	\$ 17,016	\$ 15,172
Product mix as a % of primary NIW				
95% LTVs	35%	39%	35%	38%
ARMs	7%	4%	6%	3%
95% LTV / 30% coverage	24%	27%	25%	27%
90% LTV / 25% coverage	29%	29%	29%	30%
Refinances	36%	36%	40%	39%
New pool risk written (\$ millions)	\$ 68	\$ 133	\$ 258	\$ 291
Net paid claims (\$ millions)				
Flow	\$ 26	\$ 22	\$ 79	\$ 70
Bulk	21	4	43	9
Second mortgage	6	5	20	11
Other	7	7	25	19
	\$ 60	\$ 38	\$ 167	\$ 109

(1) Diluted earnings per share includes amounts contributed from C-BASS of \$0.06 and \$0.03 for the three months ended September 30, 2002 and 2001, respectively, and of \$0.29 and \$0.19 for the nine months ended September 30, 2002 and 2001, respectively.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF

	September 30, 2002	December 31, 2001	September 30, 2001
	(In thousands of dollars, except per share data)		
ASSETS			
Investments (1)	\$ 4,641,412	\$ 4,069,447	\$ 4,029,597
Cash	12,874	26,392	10,047
Reinsurance recoverable on loss reserves (2)	22,666	26,888	27,828
Reinsurance recoverable on unearned premiums	8,712	8,415	8,618
Home office and equipment, net	35,337	34,762	33,253
Deferred insurance policy acquisition costs	31,859	32,127	29,536
Other assets	404,858	368,981	348,246
	<u>\$ 5,157,718</u>	<u>\$ 4,567,012</u>	<u>\$ 4,487,125</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Loss reserves (2)	\$ 667,177	\$ 613,664	\$ 603,938
Unearned premiums	174,345	174,545	174,825
Short- and long-term debt	634,852	472,102	377,264
Other liabilities	346,256	286,514	353,422
Total liabilities	1,822,630	1,546,825	1,509,449
Shareholders' equity	3,335,088	3,020,187	2,977,676
	<u>\$ 5,157,718</u>	<u>\$ 4,567,012</u>	<u>\$ 4,487,125</u>
Book value per share	<u>\$ 33.09</u>	<u>\$ 28.47</u>	<u>\$ 27.77</u>
(1) Investments include unrealized gains on securities marked to market pursuant to FAS 115.	\$ 316,730	\$ 83,790	\$ 165,659
(2) Loss reserves, net of reinsurance recoverable on loss reserves	\$ 644,511	\$ 586,776	\$ 576,110

OTHER STATISTICAL INFORMATION

	September 30, 2002	December 31, 2001	September 30, 2001
Direct Primary Insurance In Force (\$ millions)	\$ 196,609	\$ 183,904	\$ 179,597
Direct Primary Risk In Force (\$ millions) (3)	48,903	45,243	44,038
Direct Pool Risk In Force (\$ millions)	2,163	1,950	1,829
Mortgage Guaranty Insurance Corporation - Risk-to-capital ratio	8.8:1	9.1:1	9.5:1
Primary Insurance:			
Insured loans	1,659,783	1,580,283	1,555,869
Persistency	58.9%	61.0%	67.7%
Total loans delinquent	67,114	54,653	48,820
Percentage of loans delinquent (delinquency rate)	4.04%	3.46%	3.14%
Loans delinquent excluding bulk loans (4)	39,292	36,193	33,109
Percentage of loans delinquent excluding bulk loans (delinquency rate)	2.85%	2.65%	2.41%
Bulk loans delinquent	27,822	18,460	15,711
Percentage of bulk loans delinquent (delinquency rate)	9.97%	8.59%	8.73%
Subprime credit loans delinquent (5)	23,086	15,649	13,595
Percentage of subprime credit loans delinquent (delinquency rate)	12.38%	11.60%	11.78%

(3) Direct primary risk in force, net of aggregate loss limits, was \$46,984, \$42,678 and \$41,749 at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

(4) Bulk loans are those that are part of a negotiated transaction between the lender and the mortgage insurer.

(5) Subprime credit is included in flow, bulk and total.