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### MGIC Reports Lower Earnings and Revises 4Q Forecast Downward

NEW YORK, October 10 (LendingIntelligence.com) — Despite posting higher delinquencies and revising its fourth quarter projections downward, [MGIC Investment Corp.](#)'s third quarter earnings were not only received warmly on Wall Street, but propelled the company's stock price upward 13% as of press time.

The Milwaukee-based MGIC (NYSE: MTG), the nation's largest private mortgage insurer, reported today that its net income fell to \$151.6 million, or \$1.47 a share, from \$159 million, or \$1.47 a share, at the same time last year.

Earnings excluding one-time charges were \$1.41 a share, compared to \$1.43 a share a year earlier.

The consensus estimate from analysts was \$1.42 a share, according to research firm Thomson First Call. Estimates ranged from \$1.40 to \$1.43 a share.

"I think most analysts, myself included, were expecting MGIC's earnings to come in at the lower end of that range," said David Long, senior research analyst at [Robert W. Baird & Co.](#)

Meanwhile, MGIC also revised its fourth-quarter earnings target to between \$1.30 to \$1.35 per share. Previously, the company said it expected a range of \$1.30 to \$1.40.

"There was some uncertainty swirling around MGIC, which I think they dispelled by getting up in front of analysts and investors and revising their 4Q range," said Long.

After hovering over the \$70 per share mark in May, MGIC's stock plummeted — bottoming out at \$33.60 earlier this month after the company cautioned that its earnings would be lower than expected due to increased loan defaults and mortgage

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refinancings. On the strength of its earnings news today, MGIC's stock price was up 12.87% today, trading at \$38.23.

Delinquencies were higher at MGIC, as the percentage of loans that were delinquent, excluding bulk loans, was 2.85%, as compared with 2.65% at Dec. 31, 2001, and 2.41% at Sept. 30, 2001. Losses incurred in the third quarter totaled \$101.1 million, up from \$43.5 million reported for the same period last year.

"This was a bit higher than I was projecting, but it was not too surprising," said Long. "Going forward, the primary risk for MGIC rests in the value of homes, because that will determine the amount MGIC pays out in losses."

Mortgage insurance is required on home loans where the borrower makes less than a 20% down payment. This insures the lender against loan default by the borrower.

There is still concern surrounding MGIC's performance, however, given the fragile state of the economy which could fall back into recession and raise delinquency and default rates, and the state of the housing industry. Some economists are worried that regional housing bubbles could burst and send home prices spiraling downward. In this event, many borrowers, unable to pay off all their mortgage if they tried to sell the house, may choose to default on their mortgage payment. This could increase the number of claims paid out by MGIC.

The [National Association of Realtors](#) is projecting a modest 4.1% increase in home prices in 2003, after a 6.8% increase in 2001.

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