



Department of Justice

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The Department of Justice filed a civil antitrust suit today challenging the acquisition of MGIC Investment Corporation of Milwaukee, Wisconsin, by Baldwin-United Corporation of Cincinnati, Ohio.

Attorney General William French Smith said the suit and a proposed consent decree that would, when approved by the court, terminate the suit, were filed simultaneously in the Western Division of the U.S. District Court for the Southern District of Ohio.

According to William F. Baxter, Assistant Attorney General in charge of the Antitrust Division, the suit alleged that the acquisition would violate Section 7 of the Clayton Act by substantially lessening competition in the provision of private mortgage guarantee insurance throughout the United States.

Private mortgage guarantee insurance is used to reduce a mortgage lender's risk of loss in the event of a borrower's default on a residential mortgage loan.

The suit stated that, through its subsidiary AMIC Corporation, Baldwin is a direct competitor.

MGIC is the nation's oldest and largest underwriter of private mortgage guarantee insurance policies, while AMIC is approximately the sixth largest firm in this highly concentrated market.

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The proposed consent decree would require Baldwin to divest all of its interest in AMIC by February 8, 1983. If Baldwin does not divest by that date, a divestiture agent would spin off AMIC to Baldwin's shareholders on February 8, 1983.

Under certain very limited circumstances, the time period for divestiture might be extended for a maximum of six months.

The proposed consent decree requires that, until such time as divestiture is accomplished, AMIC must be held completely separate from the rest of Baldwin's businesses.

Baxter reiterated an earlier announcement that the Baldwin-MGIC acquisition presented an exceptional situation warranting departure from the Department of Justice's usual policy of insisting upon the elimination of competitive overlaps before an acquisition is consummated.

AMIC is capable of operating, both in the interim and in the future, as an independent and effective competitor, Baxter said.

The proposed consent decree assures that divestiture will occur by a date certain and assures that AMIC will operate as an independent company in the interim, he said. Moreover, Baxter stated, the management of AMIC owns a significant percentage of that company's stock, thereby reducing substantially any possible adverse effects that might otherwise occur in the typical hold-separate situation.

(MORE)

In accordance with the Antitrust Procedures and Penalties Act of 1974, a competitive impact statement regarding the proposed decree has been filed with the court. Copies of this statement and of the proposed decree are available on request in the Legal Procedure Unit, Room 7416, Department of Justice, Washington, D.C. 20530. They are also available for inspection in the Office of the Clerk of the United States District Court for the Southern District of Ohio, Western Division, in Cincinnati, Ohio.

Comments to the Department and to the court regarding the decree are invited from the public within the statutory sixty day time period. They should be directed to Stanley M. Gorinson, Chief, Special Regulated Industries Section, Antitrust Division (SAFE 504B), U.S. Department of Justice, Washington, D.C. 20530.

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