SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1998

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

For the transition period from ________________ to ________________

Commission File Number
0-16439

FAIR, ISAAC AND COMPANY, INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE	94-1499887
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

120 North Redwood Drive, San Rafael, California 94903
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 472-2211

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _x_ No ___.

The number of shares of Common Stock, $0.01 par value per share, outstanding on February 9, 1999, was 14,219,644.

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ITEM 1. Financial Statements.
FAIR, ISAAC AND COMPANY, INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31, 1998 and September 30, 1998

(dollars in thousands)

	December 31	September 30
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,687	$ 14,242
Marketable securities	22,305	18,283
Accounts receivable, net	35,028	39,028
Unbilled work in progress	22,765	22,004
Prepaid expenses and other current assets	4,359	4,040
Deferred income taxes	4,917	5,016
Total current assets	107,061	102,613
Marketable securities	23,846	24,368
Property and equipment, net	37,858	36,893
Intangibles, net	10,037	10,458
Deferred income taxes	6,398	6,398
Other assets	8,891	8,884
	$ 194,091	$ 189,614
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 17,656	$ 17,418
Accrued compensation and employee benefits	16,406	22,065
Billings in excess of earned revenues	8,628	7,862
Capital lease obligations	420	416
Total current liabilities	43,110	47,761
Other liabilities	7,415	7,613
Capital lease obligations	685	789
Total liabilities	51,210	56,163
Stockholders' equity:		
Preferred stock	--	--
Common stock	141	140
Paid in capital in excess of par value	35,014	32,454
Retained earnings	107,445	100,678
Less treasury stock (10,621 shares at cost at 12/31/98; 9,787 at 9/30/98)	(385)	(351)
Accumulated other comprehensive income	666	530
Total stockholders' equity	142,881	133,451
	$ 194,091	$ 189,614

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended December 31, 1998 and 1997
(dollars in thousands, except per share data)

	Three Months Ended December 31	
	1998	1997
Revenues	$ 67,977	$ 53,511
Costs and expenses:		
Cost of revenues	25,071	19,865
Sales and marketing	10,279	8,747
Research and development	7,444	6,598
General and administrative	12,997	11,398
Amortization of intangibles	421	321
Total costs and expenses	56,512	46,929
Income from operations	11,465	6,582
Other income, net	686	29
Income before income taxes	12,151	6,611
Provision for income taxes	5,103	2,644
Net income	$ 7,048	$ 3,967
Net Income	$ 7,048	$ 3,967
Other comprehensive income, net of tax:		
Unrealized gains on investments	115	15
Foreign currency translation adjustments	21	44
Comprehensive income	$ 7,184	$ 4,026
Earnings per share:		
Diluted	$ .49	$ .28
Basic	$ .50	$ .29
Shares used in computing earnings per share:		
Diluted	14,354,000	14,346,000
Basic	14,014,000	13,489,000

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 1998 and 1997
(dollars in thousands)

	Three Months Ended December 31	
	1998	1997
Cash flows from operating activities:		
Net income	$ 7,048	$ 3,967
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	4,150	3,474
Equity loss in investment	100	170
Deferred income taxes	99	26
Deferred compensation	61	240
Changes in operating assets and liabilities:		
Decrease in accounts receivable	4,021	364
(Increase) in unbilled work in progress	(761)	(1,078)
(Increase) in prepaid expenses and other assets	(319)	(200)
(Increase) in other assets	(7)	(45)
Increase in accounts payable and other accrued liabilities	626	3,083
(Decrease) in accrued compensation and employee benefits	(4,204)	(6,885)
Increase in billings in excess of earned revenues	766	751
(Decrease) in other liabilities	(1,839)	(1,119)
Net cash provided by operating activities	9,741	2,748
Cash flows from investing activities:		
Purchases of property and equipment	(3,053)	(6,008)
Payment for acquisition of subsidiary	--	(91)
Purchases of marketable securities	(18,002)	(351)
Proceeds from maturities of marketable securities	14,015	2,019
Proceeds from the sale of marketable securities	502	--
Net cash used in investing activities	(6,538)	(4,431)
Cash flows from financing activities:		
Principal payments of capital lease obligations	(100)	(94)
Proceeds from the exercise of stock options and issuance of stock	666	335
Dividends paid	(281)	(270)
Repurchase of company stock	(43)	--
Net cash provided by (used in) financing activities	242	(29)
Increase (decrease) in cash and cash equivalents	3,445	(1,712)
Cash and cash equivalents, beginning of period	14,242	13,209
Cash and cash equivalents, end of period	$ 17,687	$ 11,497

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED
Notes to Consolidated Financial Statements

Note 1 General

In management's opinion, the accompanying unaudited consolidated financial statements for Fair, Isaac & Company, Incorporated (the "Company") for the three months ended December 31, 1998 and 1997 have been prepared in accordance with generally accepted accounting principles for interim financial statements and include all adjustments (consisting only of normal recurring accruals) that the Company considers necessary for a fair presentation of its financial position, results of operations, and cash flows for such periods. However, the accompanying financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete financial statements. All such financial statements presented herein are unaudited, however, the September 30 balance sheet has been derived from audited financial statements. This Report and the accompanying financial statements should be read in connection with the Company's audited financial statements and notes thereto presented in its Annual Report on Form 10-K for the fiscal year ended September 30, 1998. Footnotes that would substantially duplicate the disclosures in the Company's audited financial statements for the fiscal year ended September 30, 1998, contained in the 1998 Form 10-K have been omitted. The interim financial information contained in this Report is not necessarily indicative of the results to be expected for any other interim period or for the full fiscal year ending September 30, 1999.

Note 2 Earnings Per Share

The following reconciles the numerators and denominators of diluted and basic earnings per share (EPS):

(in thousands, except per share data)	Three months ended December 31, 1998	1997
Numerator - Net income	$ 7,048	$ 3,967
Denominator - Shares:		
Diluted weighted-average shares and assumed conversions of stock options	14,354	14,346
Effect of dilutive securities - employee stock options	(340)	(857)
Basic weighted-average shares	14,014	13,489
Earnings per share:		
Diluted	$ .49	$ .28
Basic	$ .50	$ .29

Total options outstanding included 170,000 and 132,000 options to purchase shares of common stock at prices ranging from $39.88 to $45.63 and $41.88 to $45.63 at December 31, 1998 and 1997, respectively. These options were not included in the computation of diluted EPS because the exercise price for such options was greater than the average market price of the common shares for the three months ended December 31, 1998 and 1997.

Note 3 Cash Flow Statement

Supplemental disclosure of cash flow information:

(dollars in thousands)	Three months ended December 31, 1998	1997
Income tax payments	$4,752	$1,058
Interest paid	$ 28	$ 31
Non-cash investing and financing activities:		
Issuance of common stock to ESOP	$1,455	$ --
Tax benefit of stock options	$ 388	$ 384
Purchase of CRMA with common stock	$ --	$ 111
Capital lease obligations	$ --	$ 40

Note 4 Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation.

Note 5 Accounting Pronouncements

During the first quarter of fiscal year 1999, the Company adopted Statement of Position No. 97-2 ("SOP 97-2"), "Software Revenue Recognition," as amended by Statement of Position No. 98-4 "Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition". SOP 97-2 provides guidance for software revenue recognition. The adoption of SOP 97-2 did not have a significant impact on the Company's financial position or results of operations.

During the first quarter of fiscal year 1999, the Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("FAS 130"). FAS 130 requires the Company to report in the financial statements, in addition to net income, comprehensive income and its components including foreign currency translation adjustments and unrealized gains and losses on certain investments in debt and equity securities. Comprehensive income is defined as "the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners."

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for publicly held entities to follow in reporting information about operating segments in annual financial statements and requires that those entities report selected information about operating segments in interim financial statements. This statement also establishes standards for related disclosures about products and services, geographic areas and major customers. This statement is effective for annual financial statements issued for fiscal years beginning after December 15, 1997. Beginning with fiscal year 1999, management intends to conform its annual consolidated financial statements to this pronouncement.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." The statement standardizes the disclosure requirements for pension and other postretirement benefits. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company is currently evaluating the impact of the disclosure. Beginning with fiscal year 1999, management intends to conform its annual consolidated financial statements to this pronouncement.

In March 1998, the AICPA issued SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. The SOP also requires that costs related to the preliminary project stage and the post-implementation/operations stage of an internal-use computer software development project be expensed as incurred. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1998. The Company's management believes that the adoption of SOP 98-1 will not have a material impact on the Company's results of operations. Beginning with fiscal year 2000, management intends to conform its consolidated financial statements to this pronouncement.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Fair, Isaac and Company, Incorporated provides products and services designed to help a variety of businesses use data to make better decisions on their customers, prospective customers and existing portfolios. The Company's products include statistically derived, rule-based analytical tools, software designed to implement those analytical tools and consulting services to help clients use and track the performance of those tools. The Company also provides a range of credit scoring and credit account management services in conjunction with credit bureaus and credit card processing agencies. Its DynaMark subsidiary provides data processing and database management services to businesses engaged in direct marketing activities, many of which are in the credit and insurance industries.

The Company is organized into business units that correspond to its principal markets: consumer credit, insurance, direct marketing (DynaMark), enterprise-wide financial risk management (RMT) and a new unit, healthcare information. Sales to the consumer credit industry have traditionally accounted for the bulk of the Company's revenues. Products developed specifically for a single user in this market are generally sold on a fixed-price basis. Such products include application and behavior scoring algorithms (also known as "analytic products" or "scorecards"), credit application processing systems (ASAP(TM) and CreditDesk(R)) and custom credit account management systems, including those marketed under the name TRIAD(TM). Software systems usually also have a component of ongoing maintenance revenue, and CreditDesk systems have also been sold under time- or volume-based price arrangements. Credit scoring and credit account management services sold through credit bureaus and third-party credit card processors are generally priced based on usage. Products sold to the insurance industry are generally priced based on the number of policies in force, subject to contract minimums. DynaMark and RMT employ a combination of fixed-fee and usage-based pricing, and the healthcare information unit intends to employ a combination of fixed-fee and usage-based pricing for its products.

This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes. In addition to historical information, this report includes certain forward-looking statements regarding events and trends that may affect the Company's future results. Such statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially. Such factors include, but are not limited to, those described in this discussion and analysis.

Results of Operations
Revenues

The following table sets forth for the fiscal periods indicated (a) the percentage of revenues represented by fixed-price and usage-priced revenues from the Credit business unit, and the percentage of revenues contributed by the DynaMark, RMT, Insurance and Healthcare Information business units; and (b) the percentage change in revenues within each category from the corresponding period in the prior fiscal year. Credit fixed-price revenues include all revenues from custom scorecard, software and consulting projects. Most credit usage revenues are generated through third-party alliances such as those with credit bureaus and third-party credit card processors. In addition, some credit scorecards and software products are licensed under volume-based fee arrangements and these are included in credit usage-priced revenues.

	Percentage of Revenue Quarter Ended December 31,		Period-to-Period Percentage Changes Quarter Ended 12/31/98 Compared to 12/31/97
	1998	1997	
Credit			
Fixed-price	25%	23%	35%
Usage-priced	47%	52%	14%
DynaMark	21%	17%	55%
RMT	2%	3%	(20%)
Insurance	3%	4%	12%
Healthcare Information	2%	1%	NM
Total revenues	100%	100%	27%

NM = Not meaningful

The increase in fixed-price credit revenues in the quarter ended December 31, 1998 was due primarily to increased revenues from Credit & Risk Management Associates ("CRMA"), which was acquired in September 1996 as part of the Credit business unit; sales of credit application scorecards and credit application processing software; and its end-user credit account management systems ("TRIAD") and behavior scoring projects. Revenues from sales of credit application scorecards and credit application processing software increased by approximately 30 percent in the quarter. Revenues from end-user credit account management systems ("TRIAD") and behavior scoring projects in this quarter were up 17 percent from the same period of fiscal 1998 due primarily to strong sales of TRIAD software.

The increase in usage revenues from the Credit business unit in the quarter ended December 31, 1998, compared with the same period the prior year, was due to continuing growth in (a) usage of the Company's scoring services distributed through the three major credit bureaus in the United States and (b) the number of bankcard accounts being managed by the Company's account management services delivered through third-party processors. Revenues for the credit bureau scoring services in the three-months ended December 31, 1998, were approximately 16 percent higher than in the first three months of fiscal 1998. Revenues from credit account management services delivered through third-party processors in the most recent three months were 9 percent higher than in the corresponding period of fiscal 1998.

Revenues from credit bureau-related services increased 22 percent in both fiscal 1997 and fiscal 1998 and accounted for approximately 35 percent of revenues in fiscal 1997 and 1998. During the quarter ended December 31, 1998, revenues from credit bureau-related services increased 16 percent as compared to quarter ended December 31, 1997. Revenues from services provided through bankcard processors also increased in each of these years, primarily due to increases in the number of accounts at each of the major processors.

Revenues derived from alliances with credit bureaus and credit card processors have accounted for much of the Company's revenue growth in the last three years. While the Company has been very successful in extending or renewing such agreements in the past, and believes it will generally be able to do so in the future, the loss of one or more such alliances or an adverse change in terms could have a significant impact on revenues and operating margin. Revenues generated through the Company's alliances with Equifax, Inc., Experian Information Solutions, Inc., (formerly TRW Information Systems & Services) and Trans Union Corporation each accounted for approximately 7 to 10 percent of the Company's total revenues in fiscal 1998.

In 1996 Experian was acquired by CCN Group Ltd., a subsidiary of Great Universal Stores, PLC. CCN is the Company's largest competitor, worldwide, in the area of credit scoring. TRW/Experian has offered scoring products developed by CCN in competition with those of the Company for several years. The acquisition had no apparent impact on the Company's revenues from Experian in fiscal 1997 and 1998.

On September 30, 1997, amendments to the federal Fair Credit Reporting Act became effective. The Company believes these changes to the federal law regulating credit reporting will be favorable to the Company and its clients. Among other things, the new law expressly permits the use of credit bureau data to prescreen consumers for offers of credit and insurance and allows affiliated companies to share consumer information with each other subject to certain conditions. There is also a seven-year moratorium on new state legislation on certain issues. However, the states remain free to regulate the use of credit bureau data in connection with insurance underwriting. The Company believes enacted or proposed state regulation of the insurance industry has had a negative impact on its efforts to sell insurance risk scores through credit reporting agencies.

Since its acquisition, DynaMark has taken on an increasing share of the mainframe batch processing requirements of the Company's other business units. During fiscal 1998, such intercompany revenue represented more than 8 percent of DynaMark's total revenues. Accordingly, DynaMark's externally reported revenues tend to understate DynaMark's growth and contribution to the Company as a whole. The increase in DynaMark's revenues shown in the foregoing table, which excludes such intercompany revenues, was due primarily to increased revenues from customers in the financial services industry. RMT's revenues decreased in the quarter ended December 31, 1998 principally due to the impact of bank consolidations.

The increases in Insurance revenues for the three-month period ended December 31, 1998, compared with the same period in fiscal 1998, were due primarily to strong growth in insurance scoring services offered through consumer reporting agencies. In the quarter ended December 31, 1997, the Company's new business unit, Healthcare Information, introduced a receivables management system for hospitals and healthcare providers, and derived revenues from providing analytical marketing services to a large pharmaceuticals manufacturer to help improve customer relationships and management of prescription compliance (i.e., patient's fulfillment of prescriptions and taking them to completion). The Company signed its first revenue-generating contract for the receivables management system for hospitals and healthcare providers in the quarter ended December 31, 1998.

Revenues derived from outside of the United States represented approximately 16 percent of total revenues in the quarter ended December 31, 1998, compared with 17 percent of total revenues in the same period a year earlier.

Revenues from software maintenance and consulting services each accounted for less than 10 percent of revenues in each of the three years in the period ended September 30, 1998, and in the three-months ended December 31, 1998. The Company does not expect revenues from either of these sources to exceed 10 percent of revenues in the foreseeable future.

During the period since 1990, while the rate of account growth in the U.S. bankcard industry has been slowing and many of the Company's largest institutional clients have merged and consolidated, the Company has generated above-average growth in revenues--even after adjusting for the effect of acquisitions--from its bankcard-related scoring and account management business by deepening its penetration of large banks and other credit issuers. The Company believes much of its future growth prospects will rest on its ability to: (a) develop new, high-value products, (b) increase its penetration of established or emerging credit markets outside the U.S. and Canada and (c) expand--either directly or through further acquisitions--into relatively undeveloped or underdeveloped markets for its products and services, such as direct marketing, insurance, small business lending and healthcare information management. During fiscal 1998, the Company's backlog of orders for fixed-priced products declined slightly, and during the quarter ended December 31, 1998, this backlog declined an additional $5.9 million. This indicates that revenue growth in the remainder of fiscal 1999 and later years may depend to a large extent on sales of newly developed products, and that revenue growth during the remainder of fiscal 1999 will probably be slower than during the quarter ended December 31, 1998.

Over the long term, in addition to the factors discussed above, the Company's rate of revenue growth--excluding growth due to acquisitions--is limited by the rate at which it can recruit and absorb additional professional staff. Management believes this constraint will continue to exist indefinitely. On the other hand, despite the high penetration the Company has already achieved in certain markets, the opportunities for application of its core competencies are much greater than it can pursue. Thus, the Company believes it can continue to grow revenues, within the personnel constraint, for the foreseeable future. At times management may forego short-term revenue growth in order to devote limited resources to opportunities that it believes have exceptional long-term potential. This occurred in the period from 1988 through 1990, when the Company devoted significant resources to developing the usage-priced services distributed through credit bureaus and third-party processors.

Expenses

The following table sets forth for the periods indicated (a) the percentage of revenues represented by certain line items in the Company's consolidated statements of income and (b) the percentage change in such items from the same quarter in the prior fiscal year.

	Percentage of Revenue Quarter Ended December 31, 1998	 1997	Period-to-Period Percentage Changes Quarter Ended 12/31/98 Compared to Quarter Ended 12/31/97
Revenues..............................	100%	100%	27%
Costs and expenses:			
Cost of revenues....................	37	37	26
Sales and marketing.................	15	17	18
Research and development............	11	12	17
General and administrative..........	19	21	14
Amortization of intangibles.........	1	1	31
Total costs and expenses............	83	88	20
Income from operations................	17	12	74
Other income, net.....................	1	Less than 1	NM
Income before income taxes............	18	12	84
Provision for income taxes............	8	5	93
Net income............................	10%	7%	78

NM =Not Meaningful

Cost of Revenues

Cost of revenues consists primarily of personnel, travel, and related overhead costs; costs of computer service bureaus; and the amounts paid by the Company to credit bureaus for scores and related information in connection with the ScoreNet(R) service. The cost of revenues, as a percentage of revenues, was essentially unchanged in the quarter ended December 31, 1998, as compared with the same quarter a year earlier.

Sales and Marketing

Sales and marketing expenses consist principally of personnel, travel, overhead, advertising and other promotional expenses. These expenses, as a percentage of revenues, decreased slightly in the three-month period ended December 31, 1998, compared with the same period in fiscal 1998, primarily due to a decrease in expenses for media advertising to increase brand visibility and researching market opportunities outside the United States.

Research and Development

Research and development expenses include the personnel and related overhead costs incurred in developing products, researching mathematical and statistical algorithms, and developing software tools that are aimed at improving productivity and management control. After several years of concentrating on developing new markets--either geographical or by industry--for its existing technologies, the Company has increased emphasis on developing new technologies, especially in the area of software development. Research and development expenditures in the three month period ending December 31, 1998 were primarily related to new fraud-detection software products, joint product development projects with Deluxe Financial Services, Inc., healthcare receivables management and Year 2000 compliance work. Research and development expenses, as a percentage of revenues, declined slightly over the corresponding three-month period of fiscal 1998.

General and Administrative

General and administrative expenses consist mainly of compensation expenses for certain senior management, corporate facilities expenses, the costs of administering certain benefit plans, legal expenses, expenses associated with the exploration of new business opportunities and the costs of operating administrative functions such as finance and computer information systems. As a percentage of revenues, these expenses for the three-month period ended December 31, 1998, were lower than in the corresponding period of fiscal 1998, due primarily to reassignment of personnel and related costs.

Amortization of Intangibles

The Company is amortizing the intangible assets arising from various acquisitions over periods ranging from two to fifteen years. The level of amortization expense in future years will depend, in part, on the amount of additional payments (earnouts) to the former shareholders of Credit & Risk Management Associates, Inc., a privately held company acquired in 1996.

Other Income and Expense

Interest income, derived from the investment of funds surplus to the Company's immediate operating requirements, increased in the quarter ended December 31, 1998 compared with the three-month period a year earlier. In the corresponding period in the prior fiscal year, the Company recorded losses related to its equity investment in an early stage development company that has since been sold and interest expense resulting from a federal tax audit.

Provision for Income Taxes

The Company's effective tax rate increased from 40% to 42% for the three months ended December 31, 1998 compared to December 31, 1997, due primarily to the nondeductible nature of goodwill, deferred compensation and an increase in the effective state tax rate.

Financial Condition

Working capital increased from $54,852,000 at September 30, 1998 to $63,951,000 at December 31, 1998. Cash and marketable investments increased from $53,487,000 at September 30, 1998, to $59,718,000 at December 31, 1998. The Company's long-term debt is due to capital lease obligations.

On December 1, 1997, the Company purchased undeveloped land in San Rafael, California, with the intention of constructing an office complex to accommodate future growth. Development has commenced, and on May 15, 1998, the Company entered into a synthetic lease arrangement, which will materially increase the Company's future operating lease expenses. Rental payments will commence upon completion of construction, which is expected to occur in the second quarter of fiscal 2001. With this external financing, the Company believes that the cash and marketable securities on hand, along with cash expected to be generated by operations, will be adequate to meet its capital and liquidity needs for both the current year and the foreseeable future.

Year 2000

The Company is performing Year 2000 remediation work and compliance testing on its software products marketed to customers. The updated versions of most of its software products currently being shipped to customers are Year 2000 compliant. Certain international versions of the Company's software products were not Year 2000 compliant at December 31, 1998, but the Company expects the last international client to be Year 2000 compliant by the end of April 1999. Year 2000 remediation work, including compliance testing, for most earlier versions of the Company's software installed at customer sites is being performed as part of the Company's normal upgrade and maintenance process. Prior to the end of calendar 1999, the Company will discontinue support for some software products that have been replaced by other products, and Year 2000 upgrades for these products will not be available. Revenues from such products are not significant. There are no assurances that the Company's current products do not contain undetected errors or defects associated with Year 2000 date functions that may result in material costs to the Company. However, the Company currently does not expect significant disruption of its revenues or operations from the Year 2000 issues associated with its products. The Company has not made an assessment of the potential impact of failing to complete its own Year 2000 remediation work nor has it developed any contingency plans for such an event.

Additionally, the Company has substantially completed its Year 2000 inventory and assessment of internal information technology (IT) and non-IT systems and applications and remediation of internal IT systems and applications as of December 31, 1998. The Company has determined that the majority of its internally developed IT systems are Year 2000 compliant. For all IT applications supplied to the Company by third parties, appropriate available "patches" have been applied to bring them into compliance. Extensive compliance testing has commenced and will continue through most of the calendar year 1999, with priority given to business-critical IT and non-IT systems and applications. The most reasonably likely worst-case scenarios would include: (a) corruption of data contained in the Company's internal information systems, and (b) hardware/operating system failure. The Company is in the process of completing its contingency plans for business-critical IT and non-IT internal systems as an extension of its existing disaster recovery plan and expects to complete such planning by June 30, 1999.

The Company estimates that the costs of Year 2000 remediation (including compliance testing) for its products and internal systems will be in the range of $4 million to $5 million. Approximately 90 percent of these estimated costs have been expended as of December 31, 1998. These costs principally consist of both internal staff costs and expenses for external consultants, software and hardware, which have been or will be expensed by the Company during the period they are incurred. Expected costs for the Year 2000 remediation work (including compliance testing) and projected completion dates are based on the Company's management's estimates and assumptions and actual results may vary materially from those anticipated.

The Company has also initiated communications with third parties on which it is dependent for essential services and for the distribution of its significant services to determine how they are addressing Year 2000 issues and to evaluate any impact on the Company's operations. The Company is working with these third parties to resolve Year 2000 issues and information received to date indicates that these parties are in the process of implementing and/or testing remediation strategies to ensure Year 2000 compliance of systems, services and/or products. However, the lack of resolution of Year 2000 issues by these parties--especially the credit bureaus and credit card processors through which the Company distributes credit scoring and account management services--could have a material adverse impact on the Company's future business operations, financial condition and results of operations.

The Company anticipates that the most reasonably likely worst-case scenarios involving third-party Year 2000 issues would include: (a) failure of infrastructure services provided by government agencies and third parties (e.g., transportation, electricity, telephone, Internet services, etc.) and (b) failure of one or more of the credit bureaus or credit card processors through which the Company distributes its credit scoring and account management services to achieve timely and successful Year 2000 compliance. Contingency plans to address these most reasonably likely worst-case scenarios are under development and are expected to be completed by June 30, 1999. At this time the Company cannot quantify the potential impact of third-party Year 2000 issues.

The foregoing information and statements regarding the Company's Year 2000 capabilities and readiness are "Year 2000 Information and Readiness Disclosures" in conformance with the Year 2000 Information and Readiness Disclosure Act of 1998 enacted on October 19, 1998.

European Economic and Monetary Union (EMU)

Under the European Union's plan for Economic and Monetary Union (EMU), the euro becomes the sole accounting currency of EMU countries on January 1, 2002. Its initial phase became effective on January 1, 1999 in 11 participating countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. In this initial phase EMU mandates that key financial systems be able to triangulate conversion rates so that any amount booked will be logged and processed simultaneously in both the local currency and euros. The Company believes that its computer systems and programs are euro-compliant. Costs associated with compliance were not material and were expensed by the Company as they were incurred.

Interim Periods

Quarterly results may be affected by fluctuations in revenues associated with credit card solicitations, by the timing of orders for and deliveries of certain ASAP and TRIAD systems, and by the seasonality of ScoreNet purchases. With the exception of the cost of ScoreNet data purchased by the Company, most of its operating expenses are not affected by short-term fluctuations in revenues; thus short-term fluctuations in revenues may have a significant impact on operating results. However, in recent years, these fluctuations were generally offset by the strong growth in revenues from services delivered through credit bureaus and third-party bankcard processors. Management believes that neither the quarterly variation in revenues and net income, nor the results of operations for any particular quarter, are necessarily indicative of results of operations for full fiscal years. Accordingly, management believes that the Company's results should be evaluated on an annual basis.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures. The following discussion about the Company's market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company is exposed to market risk related to changes in interest rates, foreign currency exchange rates and equity security price risk. The Company does not use derivative financial instruments for speculative or trading purposes.

Interest Rate Sensitivity. The Company maintains a short-term investment portfolio consisting mainly of income securities with an average maturity of less than one year. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. If market interest rates were to increase immediately and uniformly by 10 percent from levels at September 30, 1998, the fair value of the portfolio would decline by an immaterial amount. The Company has the ability to hold its fixed income investments until maturity, and therefore the Company would not expect its operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on its securities portfolio. The Company believes foreign currency and equity risk is not material.

PART II - OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders.

At the Annual Meeting of Stockholders of the Company held on February 2, 1999, the Company's stockholders voted in favor of: (i) the election of nine directors to the Company's Board of Directors and (ii) the ratification of KPMG LLP as the Company's independent auditors. The number of votes for, withheld and against, as well as the number of abstentions and broker non-votes as to each matter approved at the Annual Meeting of Stockholders were as follows:

Matter	For	Withheld	Against	Abstain	Broker Non-votes
Election of Directors					
A. George Battle	11,111,099	184,741	N/A	N/A	0
Bryant J. Brooks, Jr.	11,111,200	184,640	N/A	N/A	0
H. Robert Heller	11,043,299	353,541	N/A	N/A	0
Guy R. Henshaw	11,106,171	189,669	N/A	N/A	0
David S.P. Hopkins	11,111,499	184,341	N/A	N/A	0
Robert M. Oliver	11,081,377	214,463	N/A	N/A	0
Larry E. Rosenberger	11,085,523	210,317	N/A	N/A	0
Robert D. Sanderson	11,041,901	253,899	N/A	N/A	0
John D. Woldrich	11,064,413	232,427	N/A	N/A	0
Ratification of Auditors					
	10,953,023	N/A	57,439	285,377	0

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:
24.1 Power of Attorney (see page 17 of this Form 10-Q).*
27.1 Financial Data Schedule.
27.2 Revised Financial Data Schedule

(b) Reports on Form 8-K:
No reports on Form 8-K were filed during the quarter ended December 31, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FAIR, ISAAC AND COMPANY, INCORPORATED

DATE: February 12, 1999

By Peter L. McCorkell

Peter L. McCorkell
Senior Vice President and Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints PETER L. McCORKELL her attorney-in-fact, with full power of substitution, for her in any and all capacities, to sign any amendments to this Report on Form 10-Q and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the date indicated.

DATE: February 12, 1999

By PATRICIA COLE

Patricia Cole
Senior Vice President and Chief
Financial Officer

EXHIBIT INDEX
TO FAIR, ISAAC AND COMPANY, INCORPORATED
REPORT ON FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND INCOME STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
SEP-30-1999
OCT-01-1998
DEC-31-1998
17,687
22,305
36,131
1,103
0
107,061
80,234
42,376
194,091
43,110
685
0
0
141
142,740
194,091
0
67,977
0
25,071
10,279
47
28
12,151
5,103
7,048
0
0
0
7,048
0.50
0.49

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND INCOME STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

3-MOS
SEP-30-1998
OCT-01-1997
DEC-31-1997
11,497
5,110
36,597
770
0
80,067
71,136
32,507
146,864
31,489
1,102
0
0
135
107,700
146,864
0
53,511
0
19,865
8,747
100
131
6,611
2,644
3,967
0
0
0
3,967
0.29
0.28

The financial data has been restated to reflect reclassifications to conform to the fiscal year 1999 presentation.