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, 1996

[ ] 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 10, 1997, was 12,675,775.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION
ITEM 1. Financial Statements.
FAIR, ISAAC AND COMPANY, INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31, 1996 and September 30, 1996

(dollars in thousands)

	December 31	September 30
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,930	$ 8,247
Short-term investments	6,019	7,487
Accounts receivable, net	26,159	27,675
Unbilled work in progress	11,464	10,276
Prepaid expenses and other current assets	3,909	3,957
Deferred income taxes	2,851	2,759
Income taxes receivable	--	610
Total current assets	62,332	61,011
Long-term investments	10,668	12,647
Property and equipment, net	24,494	23,219
Intangibles, net	9,298	9,557
Deferred income taxes	2,239	2,239
Other assets	5,091	4,381
	$ 114,122	$ 113,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 7,689	$ 7,466
Accrued compensation and employee benefits	8,435	16,648
Billings in excess of earned revenues	5,357	3,666
Income taxes payable	1,520	--
Capitalized leases	343	378
Total current liabilities	23,344	28,158
Other liabilities	5,088	4,997
Capital leases	1,462	1,552
Commitments and contingencies	--	--
Total liabilities	29,894	34,707
Stockholders' equity:		
Preferred stock	--	--
Common stock	126	126
Paid in capital in excess of par value	22,702	21,174
Retained earnings	61,396	57,163
Less treasury stock (2,546 shares at cost at 12/31/96; 15,938 at 9/30/96)	(10)	(68)
Cumulative translation adjustments	(95)	(145)
Unrealized gain on investments	109	97
Total stockholders' equity	84,228	78,347
	$ 114,122	$ 113,054

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME

For the three months ended December 31, 1996 and 1995
(dollars in thousands, except per share data)

	Three Months Ended December 31	
	1996	1995
Revenues	$41,532	$32,628
Costs and expenses:		
Cost of revenues	16,042	13,173
Sales and marketing	5,705	5,396
Research and development	3,126	760
General and administrative	8,966	7,355
Amortization of intangibles	336	288
Total costs and expenses	34,175	26,972
Income from operations	7,357	5,656
Other income, net	85	317
Income before income taxes	7,442	5,973
Provision for income taxes	2,958	2,449
Net income	$ 4,484	$ 3,524
Earnings per share	$ .35	$ .28
Shares used in computing earnings per share	12,971,000	12,761,000

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, 1996 and 1995
(dollars in thousands)

	Three Months Ended December 31	
	1996	1995
Cash flows from operating activities:		
Net income	$ 4,484	$ 3,524
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,617	1,995
Equity loss in investment	461	--
Deferred income taxes	(92)	48
Changes in operating assets and liabilities:		
Decrease in accounts receivable	1,568	710
Decrease (increase) in unbilled work in progress	(1,188)	3,407
Decrease (increase) in prepaid expenses and other assets	47	(295)
Decrease in income taxes receivable	610	--
Decrease (increase) in other assets	(711)	339
Increase (decrease) in accounts payable and other accrued liabilities	(238)	867
Decrease in accrued compensation and employee benefits	(6,724)	(5,952)
Increase in billings in excess of earned revenues	1,690	186
Increase in income taxes payable	1,520	462
Increase in other liabilities	91	355
Net cash provided by operating activities	4,137	5,646
Cash flows from investing activities:		
Purchases of property and equipment	(3,556)	(2,933)
Purchase of DynaMark, Printronic and CRMA	(78)	--
Purchases of investments	--	(806)
Proceeds from maturities of investments	3,459	1,821
Net cash used by investing activities	(175)	(1,918)
Cash flows from financing activities:		
Principal payments of capital lease obligations	(125)	(131)
Issuance of common stock	98	255
Dividends paid	(252)	(244)
Net cash used by financing activities	(279)	(120)
Increase in cash and cash equivalents	3,683	3,608
Cash and cash equivalents, beginning of period	8,247	8,321
Cash and cash equivalents, end of period	$11,930	$11,929

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Income taxes paid

Cash payments for income taxes during the three-month periods ended December 31, 1996 and 1995, were $829,000 and $1,964,000, respectively.

Note 2 Non-cash transactions

The Company contributed newly-issued and treasury stock having a market value of $1,468,000 and $979,000 to the Company's Employee Stock Ownership Plan during the first fiscal quarters of 1997 and 1996, respectively.

Note 3 Reclassifications

Certain reclassifications were made to the September 30, 1996, balance sheet to conform to the December 31, 1996, presentation.

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 and prospective customers. 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.

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 which 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.

The Company is organized into business units which correspond to its principal markets: consumer credit, insurance and direct marketing (DynaMark). 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 employs a combination of fixed-fee and usage-based pricing.

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 and Insurance business units; and (b) the percentage change in revenues within each category from the corresponding period in the prior fiscal year. Fixed-price revenues include all revenues from application processing software, custom scorecard development and consulting projects for credit. Virtually all usage revenues are generated through third-party alliances such as those with credit bureaus and third-party credit card processors.

	Percentage of Revenue Quarter Ended December 31,		Period-to-Period Percentage Changes Quarter Ended 12/31/96 Compared to 12/31/95
	1996	1995	
Credit:			
Fixed-price	31%	27%	43%
Usage-priced	52	55	21
DynaMark	14	15	24
Insurance	3	3	23
Total revenues	100%	100%	27

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 1996, such intercompany revenue has represented more than fifteen 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.

Revenues from sales of credit application scoring systems and credit application processing software, including products for small-business lenders, were up significantly in the quarter ended December 31, 1996, compared with the quarter ended December 31, 1995, accounting for most of the growth in fixed-price credit revenues. The increase in usage revenues in the quarter ended December 31, 1996, compared with the same period the prior year, was due primarily to continuing growth in usage of the Company's scoring services distributed through the three major credit bureaus in the United States, including the ScoreNet(R) service, and growth in the number of credit accounts managed under the services delivered through third-party processors. Insurance revenues increased by 23 percent due primarily to growth in the acceptance of the insurance scoring services distributed through consumer reporting agencies.

Revenues from credit bureau-related services have increased rapidly in each of the last three fiscal years and accounted for approximately 39 percent of revenues in fiscal 1996. Revenues from services provided through bankcard processors also increased in each of these years, due primarily 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 and improvement in operating margins over 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 nine to eleven percent of the Company's total revenues in fiscal 1995 and 1996.

On November 14, 1996, it was announced that Experian was being 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 Company is not presently able to determine what effect, if any, the acquisition of Experian by CCN will have on its future revenues.

On September 30, 1996, amendments to the Fair Credit Reporting Act were enacted and signed into law. 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 such enacted or proposed state regulation has had a negative impact on its efforts to sell insurance risk scores through credit reporting agencies.

Revenues derived from outside of the United States represented approximately 15 percent of total revenues in the quarter ended December 31, 1996, compared with 14 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, 1996, and in the quarter ended December 31, 1996. 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 correcting for the effect of the DynaMark acquisition--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 (1) to develop new, high-value products and services for its present client base of major U.S. consumer credit issuers; (2) to increase its penetration of established or emerging credit markets outside the U.S. and Canada; and (3) to 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.

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. While the increased percentage of usage revenues may loosen this constraint to some extent, management believes it 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 which 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. Cumulative revenue since 1987, net of the DynaMark acquisition, is slightly above the Company's 20-year historical average revenue growth of about 22 percent.

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		Period-to-Period Percentage Changes
	Quarter Ended December 31,		Quarter Ended 12/31/96 Compared to Quarter Ended 12/31/95
	1996	1995	
Revenues	100%	100%	27%
Costs and expenses:			
Cost of revenues	39	40	22
Sales and marketing	14	17	6
Research and development	7	2	311
General and administrative	21	23	22
Amortization of intangibles	1	1	17
Total costs and expenses	82	83	27
Income from operations	18	17	30
Other income, net	(less than)1	1	(73)
Income before income taxes	18	18	25
Provision for income taxes	7	7	21
Net income	11%	11%	27

Costs 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 net revenues, decreased slightly in the quarter ended December 31, 1996, as compared with the same quarter a year earlier, primarily because of an increase in the number of staff dedicated to research and development activities.

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 primarily due to reductions in media advertising.

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. Research and development expenses increased significantly over the same period of fiscal 1996. After several years of concentrating on developing new markets--either geographical or by industry--for its existing technologies, the Company has recently increased emphasis on developing new technologies, especially in the area of software development.

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 decreased slightly compared with the same quarter of fiscal 1996 primarily due to the Company's shift in emphasis from exploration of new market opportunities toward technical research and development.

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 to the former shareholders of Credit & Risk Management Associates, Inc., a privately held company acquired in 1996.

Other income, net

Interest income, derived from the investment of funds surplus to the Company's immediate operating requirements, increased over the period a year earlier due to higher balances and slightly higher interest rates. However, this increase in interest income was more than offset by the increase in the Company's share of operating losses in certain early stage development companies that are accounted for using the equity method.

Provision for income taxes

The Company's effective tax rate in the quarter decreased from approximately 41 percent in the quarter ended December 31, 1995, to 39.7 percent in the quarter ended December 31, 1996, primarily due to a changing mix of applicable state and foreign taxes.

Financial Condition

Working capital increased from $33,319,000 at September 30, 1996 to $38,988,000 at December 31, 1996; and cash and marketable investments increased from $26,788,000 at September 30, 1996, to $27,023,000 at December 31, 1996. The Company has no long-term debt other than lease and employee incentive obligations. The Company believes that cash and marketable securities on hand are adequate to meet its capital and liquidity needs for the foreseeable future.

Interim Periods

The Company believes that all the necessary adjustments have been included in the amounts shown in the consolidated financial statements contained in Item 1 above for the three-month periods ended December 31, 1996 and 1995 to state fairly the results for such interim periods. This includes all normal recurring adjustments that the Company considers necessary for a fair statement thereof, in accordance with generally accepted accounting principles. This report should be read in conjunction with the Company's 1996 Form 10-K.

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.

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 4, 1997, 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 Peat Marwick 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	11,449,757	64,630	N/A	N/A	0
Bryant J. Brooks, Jr.	11,451,867	62,520	N/A	N/A	0
H. Robert Heller	11,237,009	277,378	N/A	N/A	0
Guy R. Henshaw	11,451,601	62,786	N/A	N/A	0
David S.P. Hopkins	11,451,837	62,550	N/A	N/A	0
Robert M. Oliver	11,375,667	138,720	N/A	N/A	0
Larry E. Rosenberger	11,454,567	59,820	N/A	N/A	0
Robert D. Sanderson	11,093,732	420,655	N/A	N/A	0
John D. Woldrich	11,240,059	274,328	N/A	N/A	0
Ratification of Auditors	11,474,094	N/A	22,202	18,091	0

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

(a) Exhibits:

11.1 Computation of Earnings per Share.

24.1 Power of Attorney (see page 12 of this Form 10-Q).

27 Financial Data Schedule.

(b) Reports on Form 8-K:

None.

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 13, 1997

By /s/ 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 his attorney-in-fact, with full power of substitution, for him 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 13, 1997

By /s/ 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, 1996

Exhibit No.	Exhibit	Sequentially Numbered Page
11.1	Computation of earnings per share.	14
24.1	Power of Attorney	12
27	Financial Data Schedule	15

Exhibit 11.1

FAIR, ISAAC AND COMPANY, INCORPORATED
COMPUTATION OF EARNINGS PER SHARE
(IN THOUSANDS EXCEPT PER SHARE DATA)

	Three months ended December 31, (unaudited) 1996	1995
Primary Earnings Per Share:		
Weighted Average Common Shares Outstanding	12,592	12,282
Dilutive effect of outstanding options (as determined by the treasury stock method)	379	479
Weighted Average Common Shares, as Adjusted	12,971	12,761
Net Income	$ 4,484	$ 3,524
Primary Earnings per Share	$ 0.35	$ 0.28
Fully Diluted Earnings Per Share:		
Weighted Average Common Shares Outstanding	12,592	12,282
Dilutive effect of outstanding options (as determined by the treasury stock method)	401	479
Weighted Average Common Shares, as Adjusted	12,993	12,761
Net Income	$ 4,484	$ 3,524
Fully Diluted Earnings Per Share	$ 0.35	$ 0.28

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. THE DECEMBER 31, 1996, PRESENTATION CONTAINS RECLASSIFICATIONS AS COMPARED WITH DECEMBER 31, 1995.

3-MOS
SEP-30-1997
DEC-31-1996
11,930
6,019
26,604
445
0
62,332
46,214
21,720
114,122
23,344
1,462
126
0
0
84,102
114,122
0
41,532
0
16,042
5,705
0
37
7,442
2,958
4,484
0
0
0
4,484
.35
.35