

Fitch Affirms FGIC's 'AAA' IFS Rating Following Sale

Fitch Ratings-New York-December 18, 2003: Fitch Ratings affirms Financial Guaranty Insurance Co.'s (FGIC) 'AAA' insurer financial strength (IFS) rating. This action follows completion of the sale of FGIC from General Electric Capital Corp. (GECC) to a consortium of investors led by The PMI Group, Inc. (PMI, rated 'A+', Rating Outlook Stable by Fitch), along with other private equity investors, for a total price of approximately \$2.18 billion.

Additionally, Fitch has assigned an indicative senior debt rating to FGIC Corporation (the parent company of FGIC) of 'AA'. It is anticipated that FGIC Corporation will soon issue approximately \$250 million of senior debt as part of its permanent capital structure. This private debt issue is expected to replace a 364-day bridge facility provided by Banc of America Bridge LLC (a wholly-owned subsidiary of Banc of America Securities LLC). The Rating Outlook for FGIC and FGIC Corporation is Stable.

With its investment, PMI has become the largest shareholder in FGIC with 42% ownership. The Blackstone Group and The Cypress Group each own 23%, while CIVC Partners L.P. owns 7%, with GECC maintaining a 5% stake.

FGIC's 'AAA' IFS rating reflects the company's well established name and presence within the financial guaranty industry, the lowest risk insured portfolio of its major peers, stable level of earnings, excess capital, and attractive market conditions over the near term. Concerns focus on the company's more aggressive growth strategy in the future, specifically within the U.S. structured finance and international markets, below-average yield on its investment portfolio, and the reduced financial resources of its new investor group compared to GECC. The existing ratings also incorporate the one-time dividend of up to \$284 million from FGIC to GECC upon the consummation of the sale to the investor group.

As of Sept. 30, 2003, FGIC had net par in force of \$203.7 billion, supported by total claims-paying resources of \$3.5 billion, including \$2.2 billion of qualified statutory capital. FGIC's net par insured in force was comprised of 90.7% municipal finance exposure and 9.3% structured finance exposure as of Sept. 30, 2003. At the same reporting date, the amortized cost of FGIC's investment portfolio totaled \$3 billion, over 95% of which was rated 'AA-' or higher. Based in New York, NY, FGIC currently has approximately 100 employees.

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