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FOR IMMEDIATE RELEASE

FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
SECOND QUARTER NET INCOME $62.4 MILLION, UP 11%

August 3, 2006 – New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, announced today that its net income for the quarter ended June 30, 2006 was $62.4 million, an 11% increase over net income of $56.1 million for the quarter ended June 30, 2005.

Frank J. Bivona, CEO, commented, "The strong growth in net income conveys only part of FGIC's positive story. Our core results have been excellent and our top line has grown impressively as we expand our execution capabilities, insuring larger, more complex deals in both the U.S. and abroad."

Mr. Bivona continued, "Even more noteworthy is our continued ability to create value for our shareholders in a competitive business environment. Since year-end 2004 we've added approximately $600 million to the Company's adjusted book value[1] and substantially improved our return on equity. We've accomplished this while maintaining the high credit standards that are the hallmark of FGIC."

Non-GAAP Performance Measures

In this press release, FGIC uses three non-GAAP performance measures in discussing its financial results and performance: Core Net Income, Adjusted Book Value (ABV) and Adjusted Gross Premiums (AGP) Written. Core Net Income, ABV and AGP Written are not promulgated in accordance with GAAP and should not be considered substitutes for GAAP measures. Reconciliations of these non-GAAP measures to the comparable GAAP measures are provided elsewhere in this press release.

Core Net Income is an earnings measure used by management and many research analysts. It excludes the net income impact of net investment gains and losses, mark-to-market gains and losses on credit derivative contracts and certain other items ("net gains and losses"); and also excludes the net income effect of premiums and deferred acquisition costs that have been accelerated due to refunding activity. A refunding occurs when an insured obligation is called or legally defeased prior to its stated maturity. When an obligation insured by the Company is refunded prior to the end of the expected policy coverage period, any remaining unearned premiums ("refunding premiums") are recognized.

[1] Adjusted Book Value, or ABV, is a non-GAAP performance measure; see "Non-GAAP Performance Measures" for further information.

ABV adjusts stockholders' equity to add the impact of deferred income from business previously generated, net of expenses and taxes. Management and many research analysts consider ABV to be helpful in valuing the Company, as it reflects income from business previously written that will be earned over time.

AGP Written adjusts gross up-front premiums written to add the present value of estimated installment premiums written on financial guaranty policies issued in the period. Management and many research analysts believe that AGP Written is a useful measure of business production because it provides an estimate of the total value associated with business written today, rather than just the premiums collected or earned in the current period. Further, AGP Written correlates to reported insured exposure figures.

Net Income

Net income for the quarter ended June 30, 2006 was $62.4 million, an 11% increase over net income of $56.1 million for the quarter ended June 30, 2005. Refunding premiums had the effect of increasing net income by $9.7 million for the second quarter 2006 compared to $13.2 million for the second quarter of 2005. The reduction in net income from refunding premiums reflected lower refunding volume, offset by a refunding on one large public finance transaction. Table I provides the breakout of net income and Core Net Income for the second quarters and first six months of 2006 and 2005.

Table I – Net Income **($ millions)**	**2Q 2006**	**2Q 2005**	**% Change**	**6 months 2006**	**6 months 2005**	**% Change**
Net Income	$62.4	$56.1	+11%	$117.9	$105.5	+12%
Less: Net income effect of net gains and losses	0.2	–		0.3	–	
Less: Net income effect of refunding premiums	(9.7)	(13.2)		(14.4)	(23.2)	
Core Net Income	**$52.9**	**$42.9**	**+23%**	**$103.8**	**$82.3**	**+26%**

Book Value and Adjusted Book Value (ABV)

At June 30, 2006, stockholders' equity, or book value, equaled $2.16 billion, an increase of 4% over stockholders' equity of $2.08 billion at December 31, 2005. ABV increased to $3.21 billion at June 30, 2006, from $3.00 billion at December 31, 2005. Table II shows the increase in book value and ABV between December 31, 2005 and June 30, 2006, as well as the increase between December 31, 2004 and December 31, 2005.

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Table II – Increase in Book Value and ABV ($ millions)	June 30, 2006	Dec 31, 2005	% Change
Book Value	$2,161.4	$2,079.1	+4%
Adjusted Book Value	$3,212.4	$3,002.3	+7%
	Dec 31, 2005	Dec 31, 2004	% Change
Book Value	$2,079.1	$1,918.0	+8%
Adjusted Book Value	$3,002.3	$2,627.9	+14%

NEW BUSINESS PRODUCTION

Adjusted Gross Premiums (AGP) Written

AGP Written for the quarter ended June 30, 2006 were $267.6 million, a 52% increase from AGP Written of $175.5 million for the quarter ended June 30, 2005.

For public finance, total issuance declined only slightly in the second quarter of 2006 compared to the second quarter of 2005, although total insured penetration declined more markedly. However, despite insuring a smaller portion of the reduced insured market, FGIC was able to maintain its production level by focusing on more complex transactions where the Company could add more value. These included a large pension obligation deal, a large 501(c)(3) deal and a stadium transaction. In addition, FGIC's healthcare group had a very strong quarter.

In structured finance, FGIC had a strong quarter in commercial ABS, which accounted for a significant portion of AGP Written. In addition, FGIC closed several CDOs and MBS transactions that met our credit and return standards. The MBS market continues to be characterized by tight credit spreads and strong investor demand for subordinate securities.

In international finance, among other deals, FGIC closed its first Private Finance Initiative (PFI) transaction in the primary market, a £650 million healthcare transaction. This transaction was noteworthy not only because it demonstrated FGIC's execution capabilities in the PFI market but also proved FGIC's ability to guarantee sizable non-U.S. deals.

AGP Written for the six months ended June 30, 2006 were $407.5 million, a 45% increase from AGP Written of $281.4 million for the six months ended June 30, 2005.

Table III breaks down AGP Written for public, structured and international finance for the second quarters and first six months of 2006 and 2005.

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Table III – Adjusted Gross Premiums Written ($ millions)	2Q 2006	2Q 2005	% Change	6 months 2006	6 months 2005	% Change
U.S. Public Finance	$120.1	$117.3	+2%	$184.9	$193.0	-4%
U.S. Structured Finance	80.3	43.8	+83%	130.0	65.1	+100%
International Finance	67.2	14.4	+367%	92.6	23.3	+297%
Total	**$267.6**	**$175.5**	**+52%**	**$407.5**	**$281.4**	**+45%**

REVENUE ANALYSIS

Gross Premiums Written

Gross premiums written for the quarter ended June 30, 2006 were $163.3 million, a 24% increase over the $131.3 million written for the quarter ended June 30, 2005. For public finance, gross premiums written in the second quarter of 2006 were $115.0 million compared to $107.9 million for the comparable period of 2005. Structured finance gross premiums written in the quarter were $24.5 million, growing 41% from $17.4 million in the comparable quarter of 2005, reflecting FGIC's increased participation in a broader array of asset classes in the consumer asset-backed, commercial asset-backed and structured products areas. International finance gross premiums written in the second quarter of 2006 were $23.8 million, compared to $6.0 million for the second quarter of 2005, when FGIC's international business was in the early stages of development.

Gross premiums written for the six months ended June 30, 2006 were $252.5 million, a 17% increase over the $215.7 million for the six months ended June 30, 2005.

Net Premiums Written

Net premiums written (gross premiums written less premiums ceded to reinsurers) for the quarter ended June 30, 2006 were $134.4 million compared to $113.3 million of net premiums written for the quarter ended June 30, 2005. For the quarter ended June 30, 2006, ceded premiums were $28.9 million, compared to ceded premiums of $18.0 million for the quarter ended June 30, 2005.

Net premiums written for the six months ended June 30, 2006 were $217.2 million compared to net premiums written of $195.9 million for the quarter ended June 30, 2005.

Net Premiums Earned

Net premiums earned for the quarter ended June 30, 2006 were $71.8 million, a 16% increase over net premiums earned of $61.9 million for the quarter ended June 30, 2005. The growth in earned premiums stems primarily from the healthy new business production over the past two and a half years.

Refunding premiums for the quarter ended June 30, 2006 were $15.5 million, compared to $20.4 million for the comparable period of 2005.

Net premiums earned for the six months ended June 30, 2006 were $131.3 million; a 15% increase over net premiums earned of $114.6 million for the six months ended June 30, 2005.

Refunding premiums for the six months ended June 30, 2006 were $22.8 million, compared to $36.0 million for the comparable period of 2005. The reduction reflected lower refunding volume, offset by refunding premiums earned on one large public finance transaction

Table IV breaks down net earned premiums for the second quarters and first six months of 2006 and 2005.

Table IV – Net Premiums Earned **($ millions)**	**2Q 2006**	**2Q 2005**	**% Change**	**6 months 2006**	**6 months 2005**	**% Change**
U.S. Public Finance	$29.1	$26.2	+11%	$57.2	$51.1	+12%
U.S. Structured Finance	23.7	15.2	+56%	45.1	27.3	+65%
International Finance	3.5	0.1	NA	6.2	0.2	NA
Total Scheduled Premiums Earned	$56.3	$41.5	+36%	$108.5	$78.6	+38%
Refunding Premiums	15.5	20.4	-24%	22.8	36.0	-36%
Total	**$71.8**	**$61.9**	**+16%**	**$131.3**	**$114.6**	**+15%**

Investment Income

For the quarter ended June 30, 2006, net investment income was $34.3 million, a 19% increase over net investment income of $28.8 million for the quarter ended June 30, 2005. The increase was attributable to growth in the investment portfolio as a result of strong positive cash flow from premium production, as well as an increase in the GAAP book yield on the portfolio from 3.5% to 3.9%.

For the six months ended June 30, 2006, net investment income was $66.9 million, an 18% increase over net investment income of $56.7 million for the six months ended June 30, 2005.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

Underwriting and other operating expenses for the quarter ended June 30, 2006 were $18.2 million, a 34% increase compared to expenses for the quarter ended June 30, 2005 of $13.6 million. The increase in underwriting expenses is primarily related to compensation expense driven by increased headcount, as well as $1.6 million of stock option expense resulting from implementation of FAS 123 (R).

Underwriting and other operating expenses for the six months ended June 30, 2006 were $35.0 million, a 29% increase compared to expenses for the six months ended June 30, 2005 of $27.1 million.

Loss Expenses

FGIC establishes a provision for loss and loss adjustment expenses when an actual payment default occurs or when a payment default is probable. The loss reserves that are established fall into two categories: case reserves and watchlist reserves. Case reserves are established on particular insured obligations that are presently or likely to be in payment default at the balance sheet date, and for which the future loss is probable and can be reasonably estimated. Watchlist reserves recognize the potential for claims against FGIC on insured obligations that are not presently in payment default, but which have migrated to an impaired level where there is a substantially increased probability of default. Watchlist reserves reflect an estimate of probable loss given evidence of impairment, and a reasonable estimate of the amount of loss in the event of default. Loss expense increases when there is deterioration relating to credits within the impaired portfolio and declines, or may be negative, if there are improvements in credits within the various impaired list categories.

For the quarter ended June 30, 2006, loss expenses generated a benefit of $0.3 million compared to a benefit of $3.1 million for the comparable period of 2005. There was no noteworthy activity during the quarter related to loss expenses.

For the six months ended June 30, 2006, loss expenses generated a benefit of $2.2 million compared to a benefit of $5.7 million for the comparable period of 2005.

Interest Expense

For the quarter ended June 30, 2006, interest expense was $4.9 million, unchanged from the quarter ended June 30, 2005. Debt outstanding at both June 30, 2006 and 2005 was $323.4 million.

For the six months ended June 30, 2006, interest expense was $9.8 million, unchanged from the six months ended June 30, 2005.

BALANCE SHEET ITEMS

Assets

Total assets as of June 30, 2005 were $4.74 billion compared to total assets of $3.75 billion as of December 31, 2005. Approximately $750 million of the increase stems from the Company's consolidation of a third party Variable Interest Entity (VIE). The consolidation resulted from a financial guaranty provided by the Company on a structured insurance transaction. The Company consolidated an equal amount of liabilities related to this transaction. The creditors of the VIE do not have recourse to the general assets of the Company outside the financial guaranty policy provided to the VIE.

Investment Portfolio

At June 30, 2006, the market value of the Company's investment portfolio was $3.58 billion. The portfolio had an average credit quality of 'AA' based on Standard & Poor's ratings, and no investment was rated below 'A'.

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ADDITIONAL INFORMATION

Claims-Paying Resources

As of June 30, 2006 FGIC had total claims-paying resources of $4.48 billion. This included capital and surplus of $1.14 billion and contingency reserves of $1.15 billion (which combined comprise qualified statutory capital, shown below), and unearned premium and loss and loss adjustment expense reserves totaling $1.37 billion. Table V provides comparisons of claims-paying resources as of June 30, 2006 and December 31, 2005.

Table V – Statutory Basis Claims-Paying Resources **($ millions)**	**As of June 30, 2006**	**As of Dec 31, 2005**
Qualified Statutory Capital	$ 2,289.3	$ 2,198.3
Soft Capital	300.0	300.0
Unearned Premiums and Loss Reserves	1,373.7	1,273.0
Present Value of Installment Premiums	520.3	393.1
Total Claims-Paying Resources	**$ 4,483.3**	**$ 4,164.4**

Insured Portfolio

As of June 30, 2006, FGIC had $289 billion in insured net par outstanding. Public finance transactions represented approximately 76% of the total insured portfolio; structured finance represented approximately 21% of the portfolio; and international finance obligations accounted for the remaining 3%. Based on FGIC internal ratings, expressed in industry terms, 81% of the insured portfolio had an underlying credit quality of 'A' or better, with over 99% rated investment grade.

NON-GAAP PERFORMANCE MEASURES

As discussed above, FGIC uses non-GAAP performance measures in discussing its financial results and performance, and management, investors and others consider these non-GAAP measures to be useful in understanding the Company's financial position and new business production. Investors routinely request this information and many of our competitors disclose similar information. However, these items are not promulgated in accordance with GAAP and should not be considered substitutes for GAAP measures.

ABV

ABV is defined as book value (stockholders' equity), plus the after-tax value of the net unearned premium reserve less deferred acquisition costs, plus the after-tax present value of future installment premiums, discounted at 5%. Table VI provides a reconciliation of ABV to book value at June 30, 2006, December 31, 2005 and December 31, 2004.

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Table VI – ABV to Book Value ($ millions)	As of June 30, 2006	As of Dec 31, 2005	As of Dec 31, 2004
ABV	$ 3,212.4	$ 3,002.3	$ 2,627.9
Net unearned premium reserve less deferred acquisition costs	(712.8)	(667.7)	(585.1)
Net present value of future installment premiums	(338.2)	(255.5)	(124.8)
Book value	$ 2,161.4	$ 2,079.1	$ 1,918.0

AGP Written

AGP Written is defined as gross up-front premiums written plus the present value of estimated installment premiums written on financial guaranty policies issued in the period, discounted at 5%. A reconciliation of AGP Written to gross premiums written for the quarters and six-month periods ended June 30, 2006 and 2005 is included below in Table VII:

Table VII – AGP to Gross Premiums Written ($ millions)	2Q 2006	2Q 2005	6 months 2006	6 months 2005
AGP written	$267.5	$175.5	$407.4	$281.4
Present value of installment premiums written on policies issued during the period	(151.3)	(65.3)	(226.7)	(104.3)
Gross up-front premiums written	116.2	110.0	180.7	177.0
Gross installment premiums written	47.1	21.3	71.8	38.7
Gross premiums written	$163.3	$131.3	$252.5	$215.7

Company Profile

FGIC Corporation is an insurance holding company whose wholly owned subsidiary, Financial Guaranty Insurance Company, provides credit enhancement on public finance and structured finance securities in the U.S. and internationally. Established in 1983, FGIC is one of the four leading monoline financial guarantors. FGIC typically guarantees the scheduled payments of principal and interest on an issuer's obligation. FGIC's financial strength is rated triple-A by Moody's Investors Service, Standard & Poor's and Fitch Ratings.

Cautionary Statement

This press release contains "forward-looking statements" – that is, statements related to future, not past, events. Forward-looking statements often address expectations and beliefs as to future performance, results and business plans. You should not place undue reliance on forward-looking statements, because they are necessarily subject to risks and uncertainties that could cause actual results and performance to differ materially from those expressed or implied by our forward-looking statements. Among the factors that could cause our results or performance to differ are: (1) our ability to maintain our ratings; (2) our ability to execute our business plan and to continue to expand into new markets and asset classes; (3) competitive conditions and pricing levels; (4) legislative and regulatory developments within the United States and abroad, including the effect on us of new pronouncements by accounting authorities and changes in tax laws; (5) the level of activity within the national and international debt markets; (6) fluctuations in the economic, credit or interest rate environment in the United States or abroad; (7) uncertainties arising from Hurricane Katrina, referred to in prior disclosures; and (8) other risks and uncertainties that have not been identified by us at this time. Forward-looking statements are based upon our current expectations and beliefs concerning future events. We undertake no obligation to update or revise any forward-looking statement.

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FGIC Corporation and Subsidiaries

Consolidated Balance Sheets

($ thousands, except per share amounts)	Jun 30, 2006	Dec 31, 2005
Assets	*(Unaudited)*	
Fixed maturity securities, available for sale, at fair value (amortized cost of $3,496,493 in 2006 and $3,300,634 in 2005)	**$ 3,412,320**	$ 3,281,671
Variable interest entity fixed maturity securities, held to maturity at amortized cost	**750,000**	–
Short-term investments	**171,719**	176,146
Total investments	**4,334,039**	3,457,817
Cash and cash equivalents	**92,422**	51,901
Accrued investment income	**47,532**	42,871
Reinsurance recoverable on losses	**2,288**	3,271
Prepaid reinsurance premiums	**126,850**	110,636
Deferred policy acquisition costs	**79,873**	63,330
Property and equipment, net of accumulated depreciation of $1,451 in 2006 and $885 in 2005	**2,785**	3,092
Prepaid expenses	**924**	1,378
Other assets	**55,696**	14,180
Total assets	**$ 4,742,409**	$ 3,748,476
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**$ 1,303,301**	$ 1,201,163
Loss and loss adjustment expenses	**48,300**	54,812
Ceded reinsurance balances payable	**19,613**	1,615
Accounts payable and accrued expenses	**30,986**	42,152
Other liabilities	**40,771**	3,881
Payable for securities purchased	**20,381**	–
Variable interest entity floating rate notes	**750,000**	–
Accrued interest expense – variable interest entity	**913**	–
Capital lease obligations	**3,603**	4,262
Federal income taxes payable	**22,465**	5,683
Deferred income taxes	**17,331**	32,402
Debt	**323,361**	323,350
Total liabilities	**2,581,025**	1,669,320
Stockholders' equity:		
Senior Participating Mandatorily Convertible Modified Preferred Stock, par value $0.01 per share; 2,500 shares authorized, 2,346 shares issued and outstanding	**$ 277,957**	$ 268,870
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,403,067 and 2,402,830 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	**24**	24
Additional paid-in capital	**1,438,510**	1,435,261
Accumulated other comprehensive loss, net of tax	**(51,832)**	(12,907)
Retained earnings	**496,725**	387,908
Total stockholders' equity	**2,161,384**	2,079,156
Total liabilities and stockholders' equity	**$ 4,742,409**	$ 3,748,476

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FGIC Corporation and Subsidiaries

Consolidated Statements of Income

(Unaudited)

($ thousands)	Three months ended Jun 30, 2006	Three months ended Jun 30, 2005	Six months ended Jun 30, 2006	Six months ended Jun 30, 2005
Revenues:				
Gross premiums written	**$ 163,260**	$ 131,335	**$ 252,541**	$ 215,739
Ceded premiums written	**(28,887)**	(18,030)	**(35,310)**	(19,825)
Net premiums written	**134,373**	113,305	**217,231**	195,914
Increase in net unearned premiums	**(62,528)**	(51,398)	**(85,922)**	(81,374)
Net premiums earned	**71,845**	61,907	**131,309**	114,540
Net investment income	**34,323**	28,818	**66,900**	56,693
Net realized (losses) gains	**(11)**	–	**51**	122
Net realized and unrealized losses on credit derivative contracts	**(543)**	–	**(771)**	–
Other income	**507**	90	**1,042**	516
Total revenues	**106,121**	90,815	**198,531**	171,871
Expenses:				
Loss and loss adjustment expenses	**(265)**	(3,066)	**(2,198)**	(5,677)
Underwriting expenses	**23,151**	16,933	**47,586**	37,266
Policy acquisition costs deferred	**(8,994)**	(6,956)	**(21,507)**	(17,627)
Amortization of deferred policy acquisition costs	**2,364**	1,852	**5,556**	4,001
Other operating expenses	**1,709**	1,799	**3,373**	3,526
Interest expense	**4,875**	4,875	**9,750**	9,750
Total expenses	**22,840**	15,437	**42,560**	31,239
Income before income taxes	**83,281**	75,378	**155,971**	140,632
Income tax expense	**20,912**	19,281	**38,066**	35,150
Net income	**62,369**	56,097	**117,905**	105,482
Preferred stock dividends	**(4,542)**	(4,250)	**(9,087)**	(8,501)
Net income available to common stockholders	**$ 57,827**	$ 51,847	**$ 108,818**	$ 96,981