Financial Guaranty Insurance Company

RMBS and ABS CDOs as of June 30, 2007

FGIC

October 9, 2007

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FGIC

Overview

FGIC

Company Overview

FGIC

- Established in 1983
- Provides credit enhancement for public and structured finance obligations in the global markets
- Unconditional and irrevocable guaranty
- Triple-A rated by all major rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings
- Claims paying resources of approximately $5.0 billion
- Cumulative losses are less than 1bp on debt service insured since inception
- 83% of insured portfolio rated "A"or better
- Strong, experienced management team
- Committed ownership group, including PMI, Cypress, Blackstone and CIVC
- Widely recognized brand name, trading value and track record

RMBS and ABS CDO Overview

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Residential Mortgage-Backed Securities (RMBS or MBS) Portfolio

- Diverse, high-quality MBS portfolio is performing within expectations with limited risk of loss to FGIC
- No current exposures have been downgraded by the rating agencies
- Strong servicers and issuers
- Limited interest rate reset risk
- Limited exposure to subprime risk in 2006 and 2007

Asset-Backed Collateralized Debt Obligation (ABS CDO) Portfolio

- Predominantly super senior attachment points that are multiples of natural Triple-A levels
- All Triple-A rated transactions, except for one split-rated, AAA / Aa1 deal
- No current exposures have been downgraded
- Diversity across collateral, vintage, asset type and counterparty
- Structural enhancements in CDOs provide additional protection

Part I – MBS Underwriting, Portfolio and Performance

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MBS Underwriting

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Components of FGIC Underwriting Process

All transactions undergo:

- Full credit and legal reviews
- Review and approval by Senior Credit Committee (comprised of CEO, President, Chief Credit Officer and Senior Business Managers)

Counterparty Analysis – Lender, Servicer, Issuer

- Financial strength
- Track record
- Controls & transparency
- Business model
- Target market

Collateral Analysis

- FGIC's proprietary loss model
- Historic performance analysis
- Comparative collateral analysis
- Rating agency feedback

Structural Analysis

- Cash flow and credit enhancement value, interest rate, timing and prepayment scenarios
- Structural enhancements, such as performance and financial triggers
- Legal protections, such as representations, control rights, bankruptcy-remote structure

MBS Underwriting

FGIC's Proprietary MBS Underwriting Model

- Built on data from loan performance database that includes performance history of more than 10,000,000 loans over 20 years and FGIC's own portfolio experience
- Predicts frequency of default and severity of loss based on key loan level characteristics (e.g., FICO, CLTV, etc.)
- Runs 10,000 simulations to generate a distribution of loss outcomes under different home price appreciation (HPA) scenarios:
  - mean equals expected loss
  - max equals high-stress scenario
- Underwriting guidelines require at least 2.0x coverage of expected loss and full coverage of max loss
- Model results:
  - project expected and stress case losses
  - reflect effects of risk layering
  - provide tool to compare credit quality of different loan pools
  - reflect credit trends in mortgage lending

MBS Underwriting – Subprime MBS Portfolio
(as of 06/30/07)

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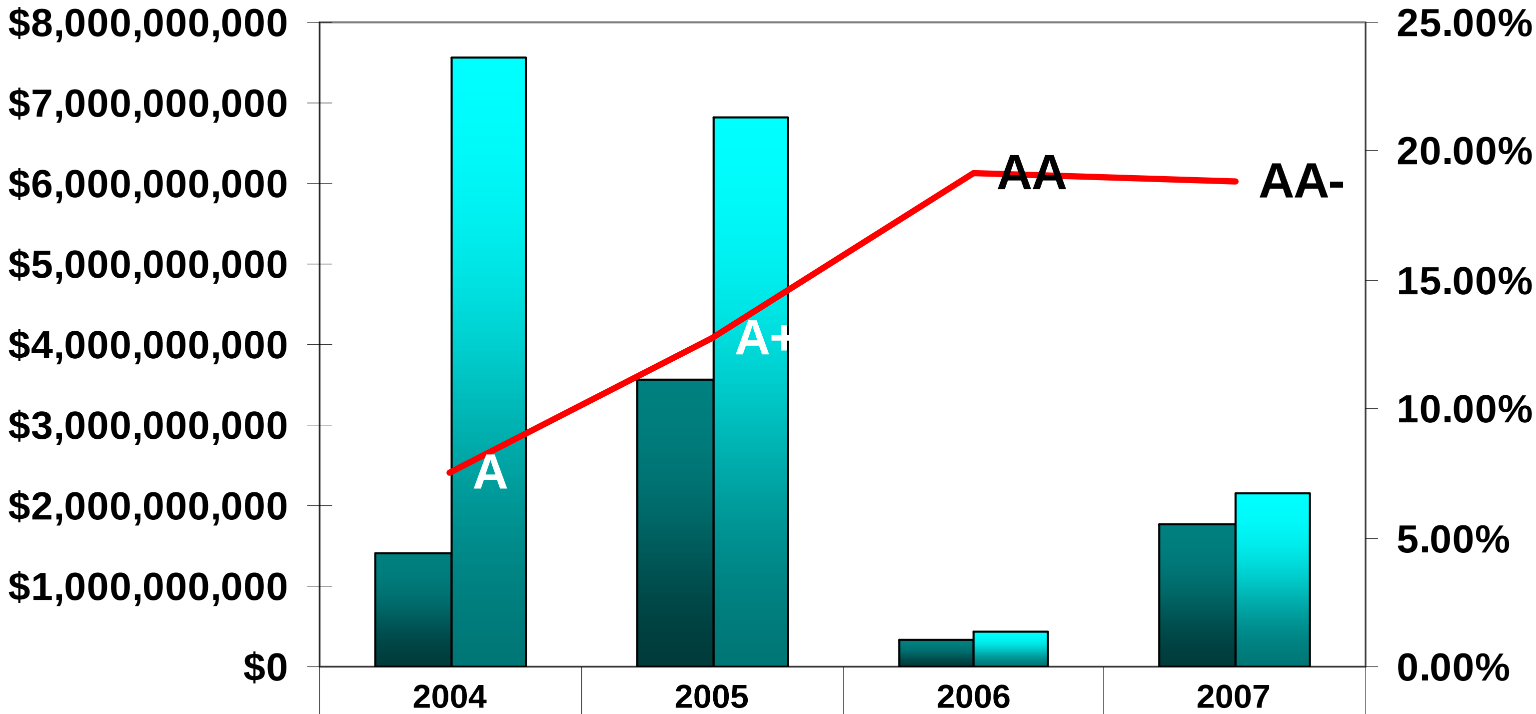
FGIC Subprime MBS Vintage Exposure
2004 – 2007



	2004	2005	2006	2007
Current Exposure	$1,405,317,126	$3,569,905,542	$339,432,987	$1,778,049,970
Original Exposure	$7,566,054,000	$6,831,940,427	$443,827,000	$2,155,514,000
Average Loss Coverage at Origination	8%	13%	19%	19%

MBS Portfolio

- At June 30, 2007, MBS portfolio comprised 251 transactions representing $34.7B of net par in force
- Diversified mix of asset classes, issuers, vintages and attachment points
- Weighted average FGIC internal rating of A–
- FGIC always in senior position in MBS capital structure
- 2005: reduced participation in subprime and Alt-A mortgage markets due to concerns about lending standards
  - since 2005, most exposure to these sectors at Double-A or Triple-A attachment points
- 2006: reduced overall participation in primary mortgage market due to concerns about lending standards and real estate weakness
  - narrow focus on prime borrowers, established issuers and high attachment points

Total Insured MBS Portfolio (as of 06/30/07)

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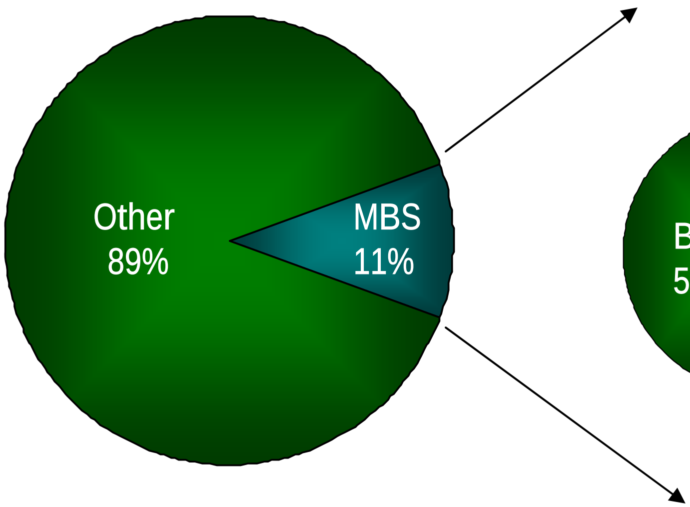
FGIC Total Net Par In Force (NPIF): $314.7B

Total MBS NPIF: $34.7B



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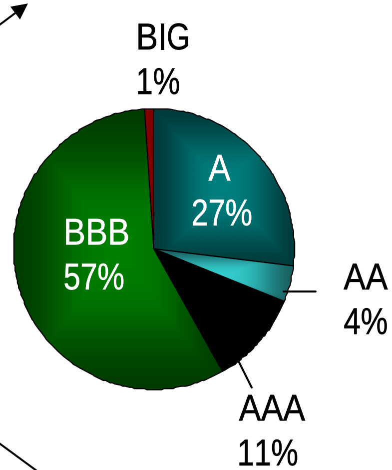
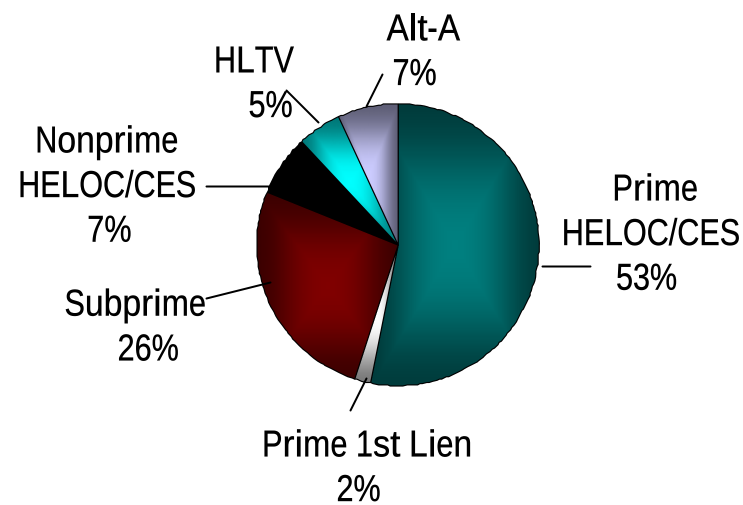


BY ASSET TYPE



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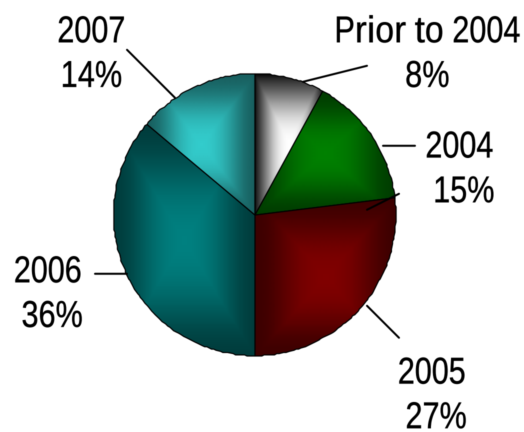
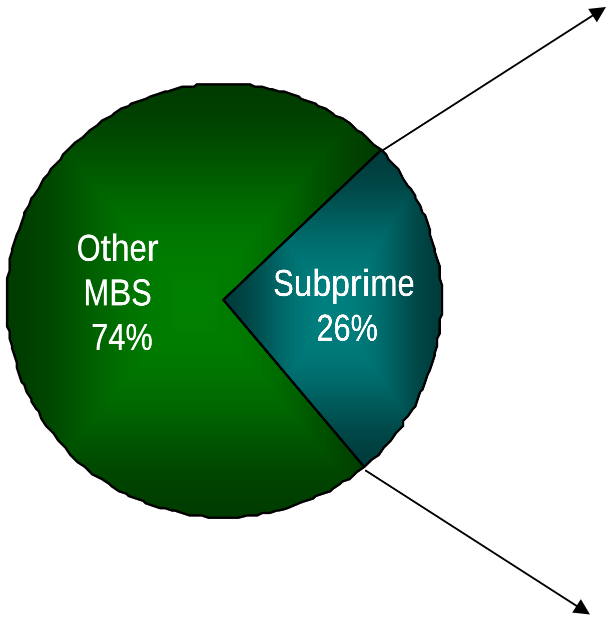


- **FGIC's portfolio: diversified by vintage, collateral type, issuer and attachment point**
- **All BIG MBS deals insured prior to 2001**

Note: Based on FGIC internal ratings

MBS Portfolio – Subprime Distribution
(as of 06/30/07)

Total MBS NPIF: $34.7B • Total Subprime MBS NPIF: $8.8B



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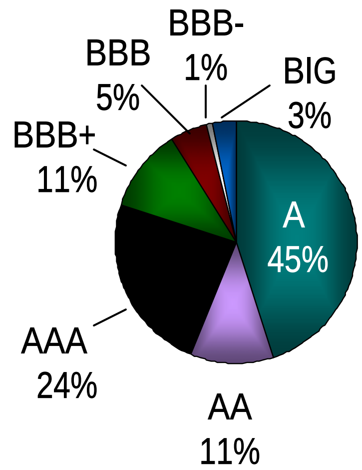

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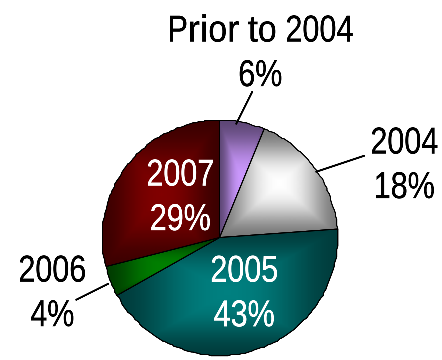

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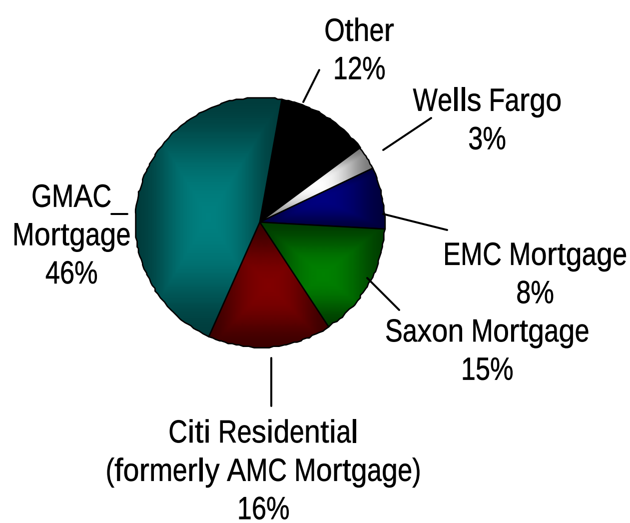

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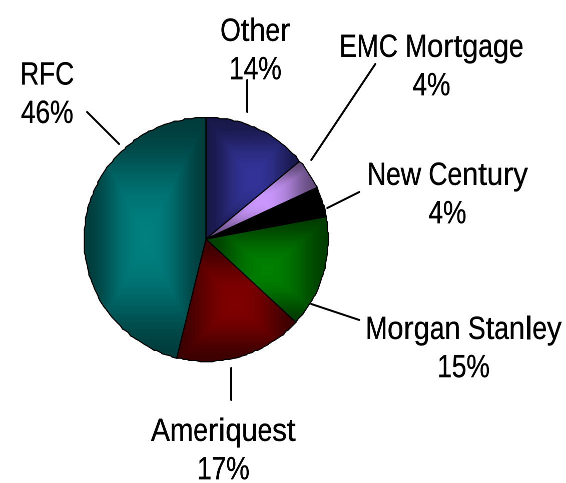
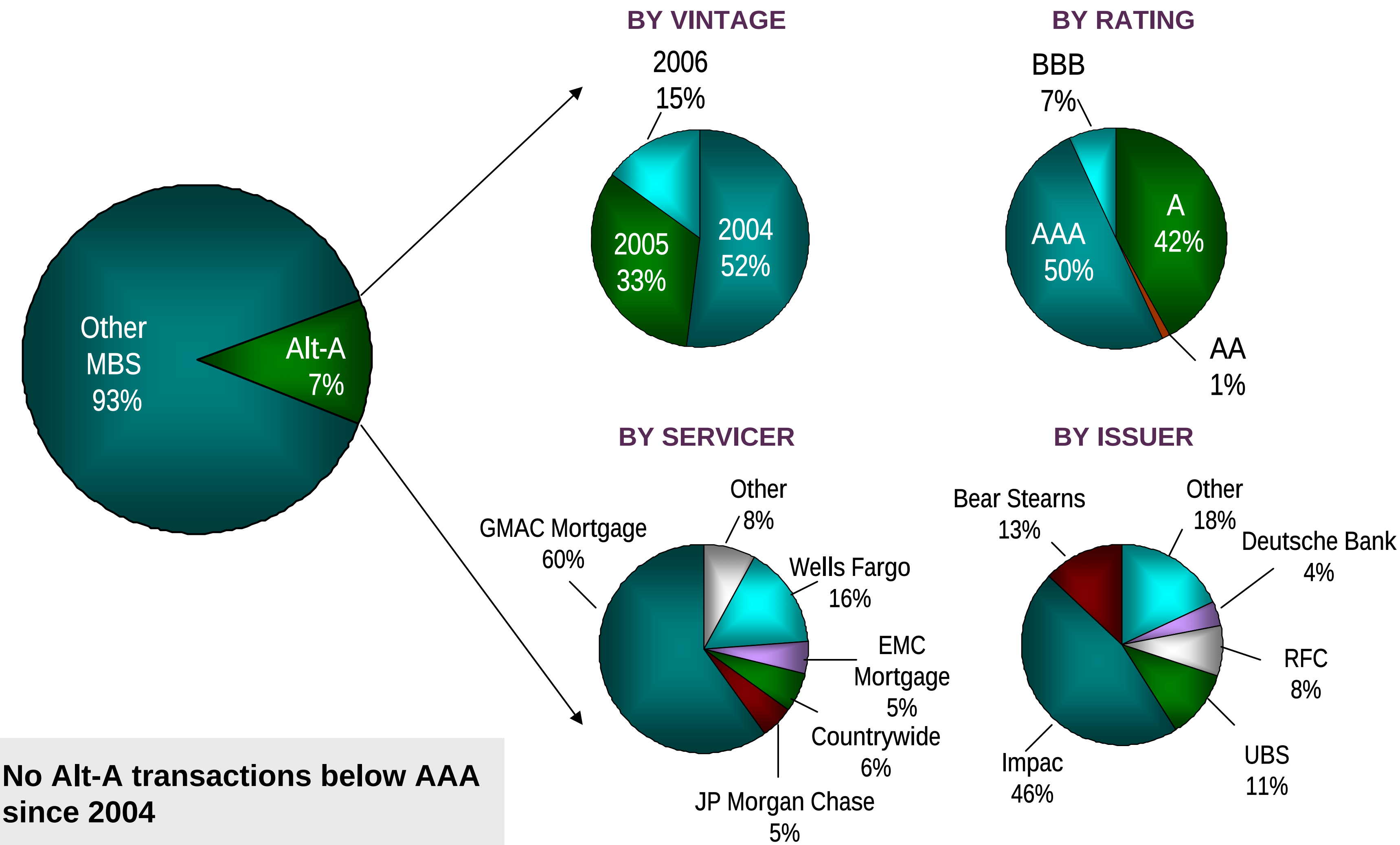


- **FGIC's portfolio: diversified by vintage, collateral type, issuer and attachment point**
- **All BIG MBS deals insured prior to 2001**

Note: Based on FGIC internal ratings

MBS Portfolio – Alt-A Distribution (as of 06/30/07)

Total MBS NPIF: $34.7B • Total Alt-A MBS NPIF: $2.3B



No Alt-A transactions below AAA since 2004

Note: Based on FGIC internal ratings

MBS Portfolio – Prime HELOC/CES Distribution (as of 06/30/07)

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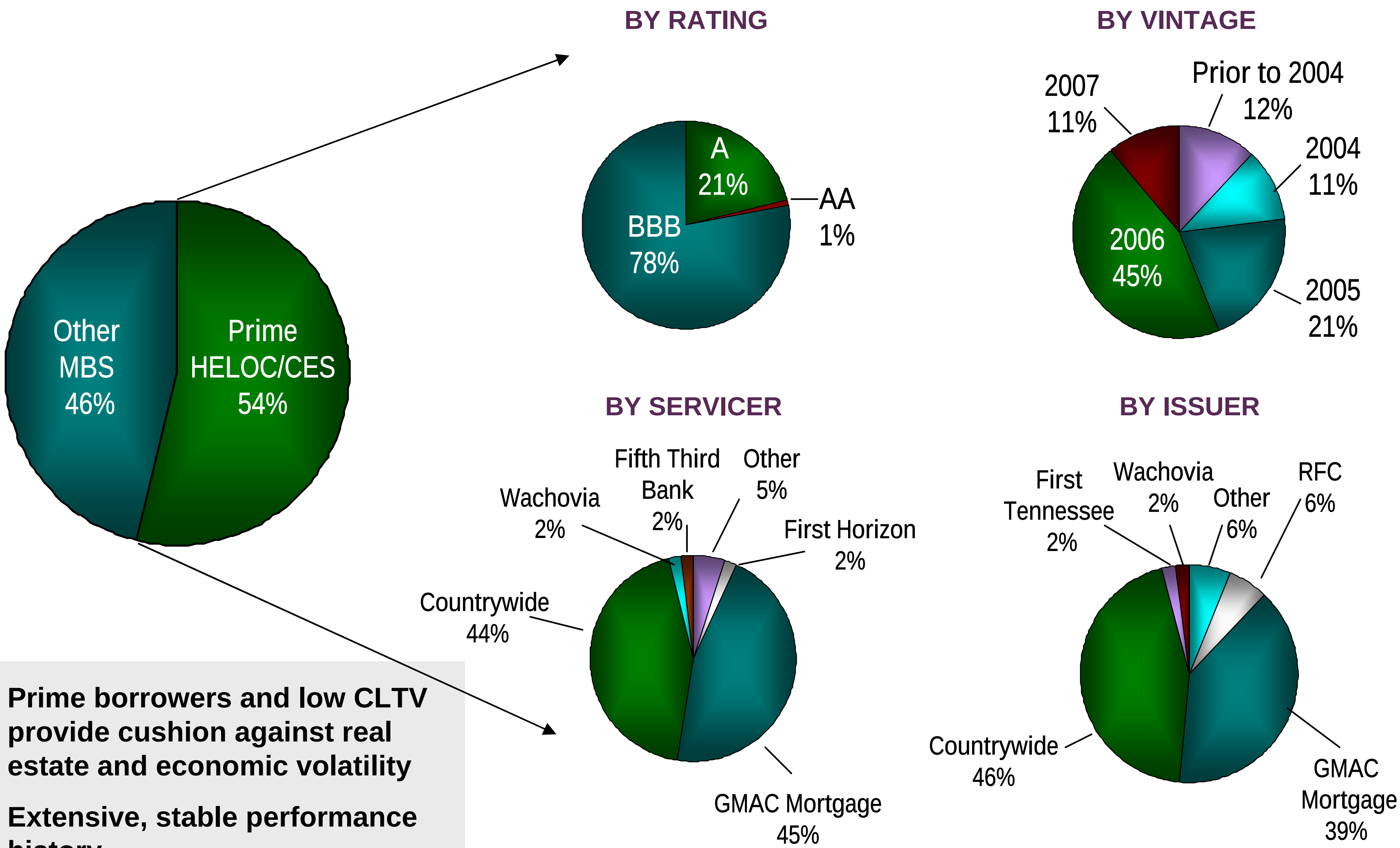
Total MBS NPIF: $34.7B • Total Prime HELOC/CES MBS NPIF: $18.6B



- **Prime borrowers and low CLTV provide cushion against real estate and economic volatility**
- **Extensive, stable performance history**

Note: Based on FGIC internal ratings

MBS Portfolio – HLTV Distribution (as of 06/30/07)

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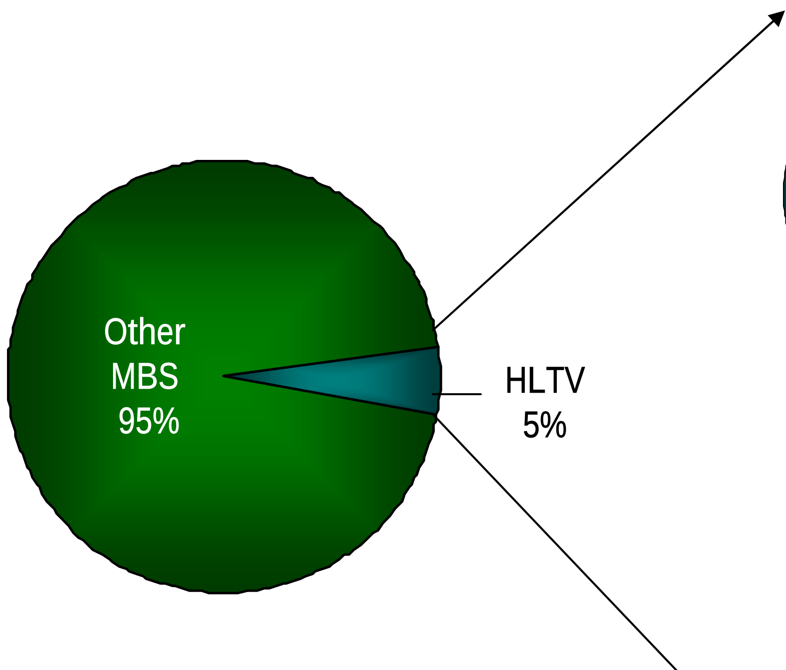
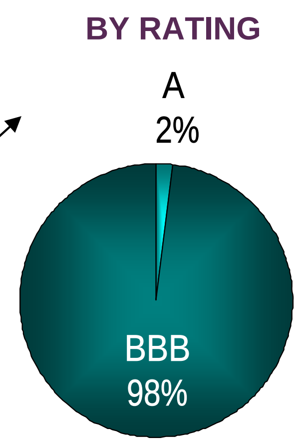
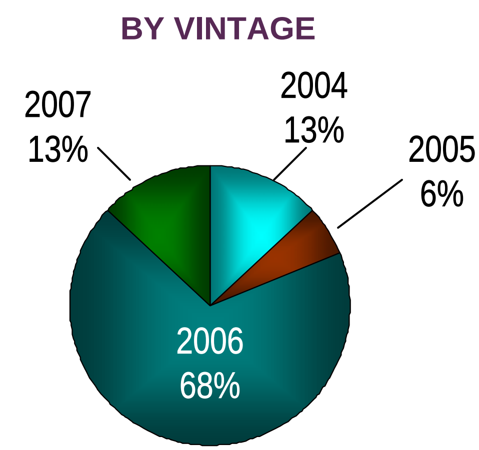
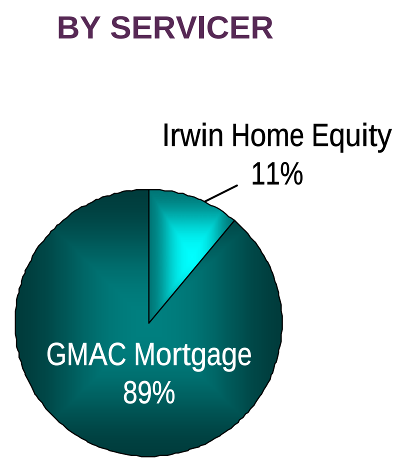
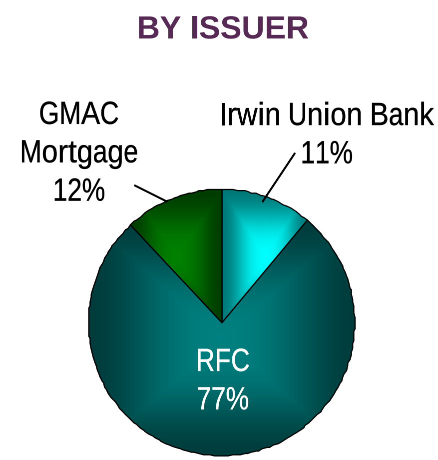
Total MBS NPIF: $34.7B • Total HLTV MBS NPIF: $1.7B











- **Conservatively underwritten asset class**
- **Stable performance history**

Note: Based on FGIC internal ratings

MBS Portfolio – Nonprime HELOC/CES Distribution (as of 06/30/07)

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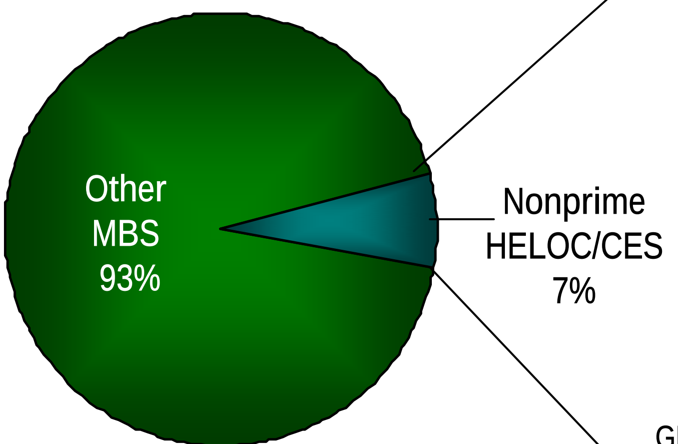
Total MBS NPIF: $34.7B • Total Nonprime HELOC/CES MBS NPIF: $2.4B



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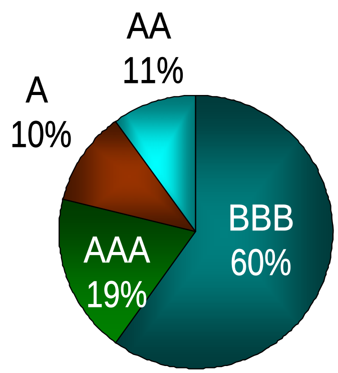

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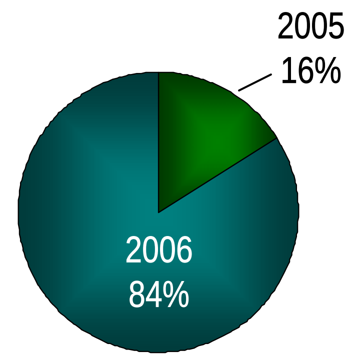

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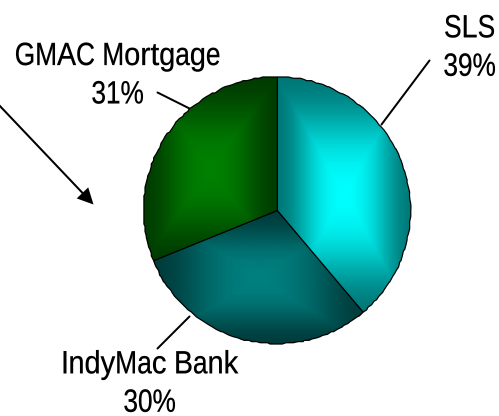

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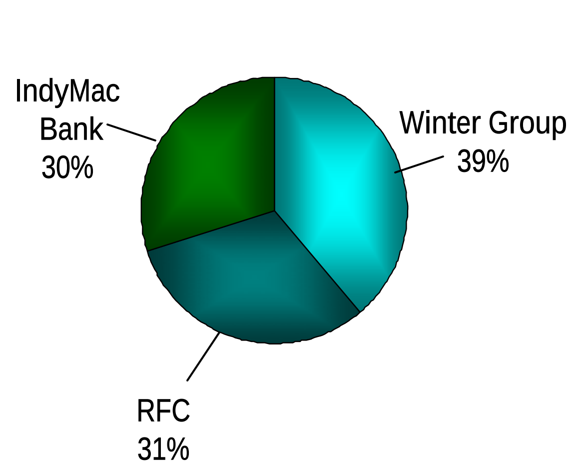

- **Generally borrowers with stronger credit scores but expanded lending criteria**
- **Some transactions have experienced higher performance volatility**

Note: Based on FGIC internal ratings

MBS Performance

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- Despite weaker performance and volatility in overall mortgage market, FGIC's mortgage portfolio has performed within expectations
- Subprime transactions are well enhanced and performing below stressed levels assumed at time of underwriting
  - 2006 and 2007 subprime MBS: weighted average attachment point of AA
- Certain 2nd lien transactions issued in 2005 and 2006 under heightened surveillance:
  - loans to prime borrowers, but potentially looser lender-underwriting standards
  - despite weaker loan performance, FGIC does not project any significant claims
  - actively remediating these transactions with servicers and issuers
  - performance projections for these transactions validated by independent, third-party analysis

MBS Performance – Interest Rate Reset Risk

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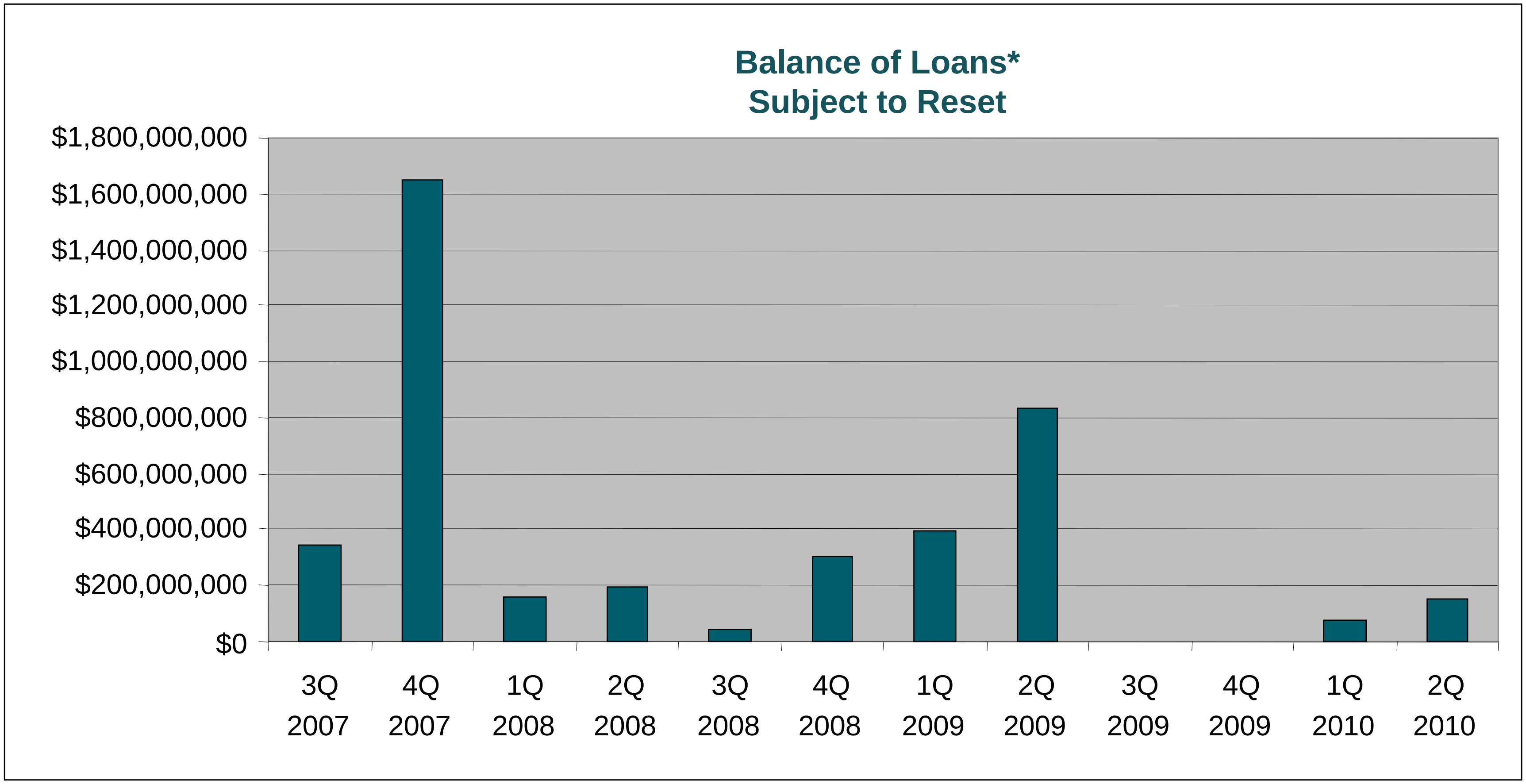
Adjustable rate loans are frequently issued with very low initial teaser rates that remain in effect for the first 2 or 3 years. Rates then reset annually up to a predetermined cap. The table on the following page identifies the initial reset dates for loans in FGIC's MBS portfolio.

- 93% of resets are attributable to subprime MBS; remainder to Alt-A loans
- Approximately 43% of subprime MBS portfolio is scheduled to reset over the next three years
- 81% of resets scheduled to occur in 4Q07 are for loans in five 2005 transactions, rated A– or higher:
  - delinquencies and losses moderately higher than originally projected
  - credit enhancement provides sufficient cushion against FGIC loss
- FGIC servicers proactively managing interest rate reset risk

MBS Performance – Interest Rate Reset Risk



* These numbers represent the balance of the loans underlying FGIC's exposure.

Part II – ABS CDO Underwriting, Portfolio and Performance

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ABS CDO Overview

- FGIC provides protection on CDOs in both financial guaranty (FG) and credit default swap (CDS) form:
  - CDS: 83% of NPIF
  - FG: 17% of NPIF
- Payment characteristics of FGIC's CDS:
  - essentially the same as those of a financial guaranty policy
  - FGIC does not take acceleration risk
  - FGIC does not have collateral posting requirements
- CDS form of execution requires that FGIC mark these transactions to market under fair value accounting rules (FAS 133)
- For CDS execution, FGIC attaches at senior or super-senior Triple-A level to minimize volatility associated with potential mark-to-market movements

ABS CDO – Underwriting

- Participation only at most senior levels of capital structure
- Sector benefits from credit enhancement across a diversified pool of collateral
- Underwriting employs several methodologies to assess strength and stability of senior class of notes
- Methodologies provide different perspectives on key underlying risks
- Use of multiple methodologies serves to minimize market arbitrage and risk of loss
- Underwriting reviews are conducted by a team of analysts, including experts in CDO technology and specialists in underlying asset types

ABS CDO – Underwriting

FGIC

Components of FGIC Underwriting Process

All transactions undergo:

- Full credit and legal reviews
- Review and approval by Senior Credit Committee (comprised of CEO, President, Chief Credit Officer and Senior Business Managers)

Asset Manager Review

- Performance history and credit expertise
- Organizational depth and breadth
- Credit process
- System and surveillance capabilities
- Financial strength and corporate affiliations
- Corporate governance and controls

Collateral Review

- Measure expected loss using industry and proprietary models
- Range of outcomes reflects different perspectives on key risks
- Drivers include asset type, collateral quality, tenor, rating distribution, asset spreads, etc.

Structural Assessment

- Utilize loss estimates to assess the value of collateral and financial triggers
- Incorporate timing of losses, limits on reinvestment and diversion of cash flow

ABS CDO Underwriting – Collateral Review

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- Assess collateral quality
  - rating
  - spread/discount margin
  - sector and issuer diversity
  - issuer quality
- Estimate default rate
  - rating agency models – based on public ratings and tenor of underlying assets
  - FGIC ratings – based on FGIC's view of underlying bonds, using mortgage model for RMBS assets, notching and worst-case pool composition for other assets
  - FGIC proprietary spread model – based on spread or discount margin of underlying assets; relates expected loss to credit spreads
- Estimate recovery rate
  - minimum covenanted recovery rate required in the deal structure
  - FGIC recovery rates for sector/industry based on rating agency and observed data

ABS CDO Underwriting – Structural Review

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Model Default Timing

- Moody’s – six different default patterns over six-year time frames
- S&P – eight different default patterns over five- to ten-year frames

Assess Deal Triggers

- Collateral quality tests – weighted average rating, weighted average life, weighted average spread, average recovery tests, correlation/diversity factors
- Financial tests – interest coverage, par coverage, loss coverage
- In managed CDOs, a breach of triggers:
  - limits reinvestment period
  - accelerates amortization of senior class

ABS CDO Underwriting – Structural Review

FGIC

Determine Correlation Assumptions

- Third-party and internal models – diversity scores or inter- / intra-industry factors
- Proprietary spread model – sector and industry based factors
- Notching – assumes 100% correlation on underlying assets
- Proprietary MBS model – imbeds assumptions for correlation through loan characteristics

Stress Model Outputs

- Model outputs are stressed for both recovery and correlation
- Further stresses of quality and correlation assumed by reducing ratings on underlying assets by three and six notches
- Stress runs are used to show strength of senior class
- Limitations imposed for collateral buckets as needed

ABS CDO Underwriting – Model Results

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Underwriting Requirements

- Results of all base models should be Triple-A
- Results of three notch collateral rating downgrade should be Triple-A
- Results of six notch collateral rating downgrade should be at least investment grade
- Results of all stressed runs should be at least investment grade

ABS CDO Portfolio (as of 06/30/07)

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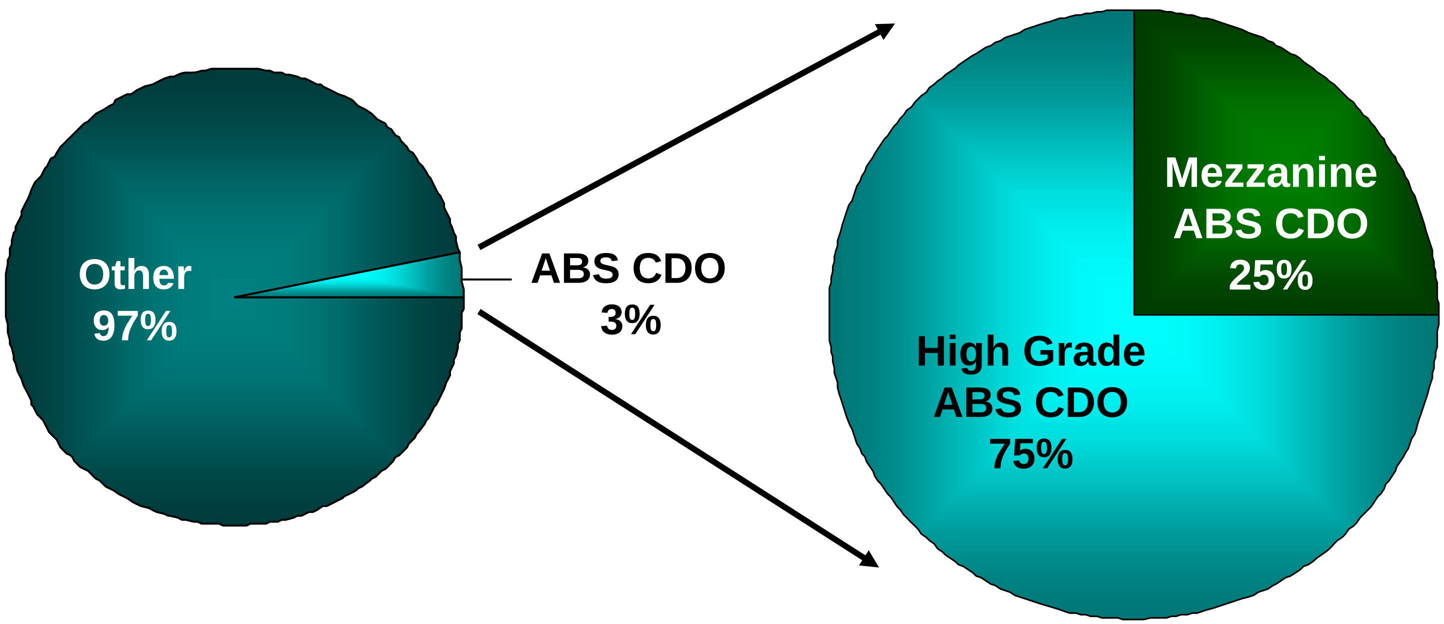
- Insured ABS CDO portfolio:
  – comprised of 17 transactions representing $10.3B of NPIF
  – super senior or AAA rated at inception (except one highly structured transaction rated AAA / AA1)
- Portfolio heavily weighted towards high grade ABS CDO deals:
  – mezzanine ABS CDOs represent 25% of total ABS CDO NPIF
- Underlying bonds are concentrated in subprime and midprime RMBS and CDO investments originated in 2005 and 2006:
  – highly diversified by individual exposure (100 to 200 unique assets or more)

ABS CDO Insured Portfolio (as of 06/30/07)

FGIC Total NPIF: $314.7B • Total ABS CDO NPIF: $10.3B



ABS CDO Portfolio – High Grade Composition

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Product Types	% of High Grade
RMBS - Subprime	28%
RMBS - Prime	27%
CDO	20%
RMBS - Midprime	18%
CMBS	4%
Other	3%
Total	**100%**

Moody's Ratings Distribution	% of High Grade
Aaa	36%
Aa	31%
A	32%
Baa	1%
Ba	0%
Ca	0%
Total	**100%**
Weighted Average	**A+**

Vintages	% of High Grade
Prior to 2005	13%
2005	21%
2006	55%
2007	11%
Total	**100%**

Top 10 Servicers	% of High Grade
Countrywide	14%
Wells Fargo Bank N.A.	11%
GMAC / RFC	7%
Option One Mortgage Corp	4%
JP Morgan Chase	3%
National City Home Loan Services	2%
Washington Mutual Bank	2%
Citicorp	2%
HomeEq Loan Servicing Corp	2%
Litton Loan Servicing	2%
Total	**49%**

- **Diversified asset types**
- **Weighted average rating of the underlying collateral A+ by Moody's**

ABS CDO Portfolio – Mezzanine Composition

Product Types	% of Mezz
RMBS - subprime	45%
RMBS - midprime	35%
RMBS - prime	12%
CDO	4%
CMBS	3%
Other	1%
Total	**100%**

Moody's Ratings Distribution	% of Mezz
AAA	2%
AA	5%
A	7%
BBB	59%
BB	21%
B	6%
CCC	1%
Total	**100%**
Weighted Average	**BBB-**

Vintages	% of Mezz
Prior to 2005	11%
2005	48%
2006	40%
2007	1%
Total	**100%**

Top 10 Servicers	% of Mezz
Litton Loan Servicing	18%
Countrywide	11%
Wells Fargo Bank N.A.	9%
GMAC / RFC	8%
AMC Mortgage Services	4%
Option One Mortgage Corp	3%
Long Beach Mortgage Company	3%
HomeEq Loan Servicing Corp	3%
JP Morgan Chase	2%
National City Home Loan Services	2%
Total	**64%**

- **Strong diversification by asset, servicer and in particular, vintage**

ABS CDO Insured Portfolio (as of 6/30/07)

Year Issued	Net Par ($ Mil)	Subprime RMBS	Midprime RMBS	Prime RMBS	CMBS	CDO	Other	Total	Moody's / S&P Ratings	Original AAA/Aaa Subordination	Current Subordination Below FGIC
		Collateral as a Percentage of Total Pool									
High-Grade ABS CDOs											
2005 [1]	$372	33%	N/A	29%	7%	10%	22%	100%	Aaa/AAA	13%	38%
2005 [1]	539	25%	N/A	41%	11%	13%	11%	100%	Aaa/AAA	5%	8%
2005	890	35%	31%	3%	3%	26%	1%	100%	Aaa/AAA	7%	11%
2006	890	16%	16%	51%	1%	13%	3%	100%	Aaa/AAA	6%	11%
2006	770	38%	26%	0%	9%	27%	0%	100%	Aaa/AAA	7%	13%
2007	859	32%	17%	17%	0%	35%	0%	100%	Aaa/AAA	6%	14%
2007	860	32%	21%	12%	0%	35%	0%	100%	Aaa/AAA	6%	14%
2007	1,000	11%	0%	89%	0%	0%	0%	100%	Aaa/AAA	3%	10%
2007	$1,570	30%	27%	17%	8%	18%	0%	100%	Aaa/AAA	6%	19%
High Grade Subtotal	**$7,750**										
Mezzanine ABS CDOs											
2005 [1]	$110	3%	N/A	79%	16%	2%	0%	100%	Aaa/AAA	37%	42%
2005 [1,2]	190	62%	N/A	22%	6%	6%	4%	100%	Aaa/AAA	19%	23%
2006	200	39%	45%	12%	2%	0%	1%	100%	Aaa/AAA	24%	50%
2006	900	51%	41%	0%	0%	8%	0%	100%	Aaa/AAA	20%	40%
2006	575	58%	30%	4%	4%	5%	0%	100%	Aaa/AAA	20%	43%
2006 [2]	145	27%	45%	19%	6%	1%	3%	100%	Aaa/AAA	18%	19%
2006 [2]	133	35%	48%	12%	3%	2%	1%	100%	Aaa/AAA	19%	19%
2006 [2]	$275	52%	44%	4%	0%	0%	0%	100%	Aa1/AAA	38%	38%
Mezzanine Subtotal	**$2,528**										
ABS CDO TOTAL	**$10,278**										

[1] Midprime information not available
[2] Indicates financial guaranty execution

ABS CDO Performance

- To date, no downgrades to FGIC's insured exposure
- Balance of portfolio is performing within expectations with limited rating agency activity
- Three mezzanine ABS CDOs impacted by mortgage market stress led to recent rating agency actions against certain MBS bonds held by these CDOs; one experienced a downgrade of subordinate CDO tranches
- FGIC re-modeled ABS CDOs affected by rating agency actions or indications of deterioration:
  - at loan level: MBS model was used to project losses
  - at RMBS level: bonds' credit enhancement was assessed against projected losses
  - at CDO level, additional stress scenarios were run:
    - reflecting rating actions
    - downgrading additional bonds based on FGIC projections
    - further adjusting the portfolio by three notches
- All CDO exposures maintain IG ratings under worst-case stress scenarios
- Actual performance of underlying MBS transactions will be influenced by many factors, including availability of credit, interest rates and home prices, over the next few years

Mark-to-Market Considerations

- Under U.S. GAAP, FGIC is required, at each financial statement date, to mark to fair value any insured derivative including credit default swaps (CDS).
- Because of the illiquid nature of the CDS portfolio, the determination of fair value for mark-to-market purposes is based on internally developed models. Inputs to the model include contractual terms, credit spreads (the difference between the spread implied by a dealer quote on the underlying bonds and the risk-free rate) and current yield curves.
- There may be volatility in the use of market-driven inputs (i.e., dealer quotes) obtained from an illiquid market, and differences may exist between available market data and assumptions used by management to estimate the fair value of these instruments.
- Mark-to-market unrealized loss at a given point in time may not be a good indicator of FGIC's ultimate losses since FGIC's intent is to hold the contract to maturity. If there is no credit impairment, the periodic unrealized gains and losses will normally amortize to zero by maturity of the CDS.
- There are no margin or collateral posting requirements for FGIC relating to its CDO exposure.
- In the unlikely event the underlying bond defaults, FGIC would pay scheduled interest and ultimate principal, limiting liquidity requirements.

Summary

- ✓ FGIC has a proven underwriting process and business model.
- ✓ FGIC's MBS/CDO portfolio is performing within expectations.
- ✓ Repricing of credit risk offers greater opportunities for FGIC products.
- ✓ FGIC has committed and supportive ownership.
- ✓ FGIC is a strong Triple-A franchise.

Part III – Appendix

Glossary

MBS Terms

- **Alt-A** – Alternative-A mortgage product is characterized by 1st lien loans, prime or near prime borrower credit quality, lesser forms of borrower income and asset verification and higher concentration of investor properties or second homes
- **ARM** – Adjustable Rate Mortgage
- **CES** – Closed End Second lien mortgage product is characterized by fixed-rate, 2nd lien loans with CLTV ratios typically in the range of 75 - 100%. Borrower quality may range from prime to subprime. Loan balances cannot increase.
- **CLTV** – Combined Loan-to-Value ratio measures the ratio of the sum of all loans against the property over its value.
- **FICO** – Credit score developed by Fair Isaac & Co. A credit score is a numerical expression based on a statistical analysis of a person's creditworthiness, which is the likelihood that the person will pay his or her debts in a timely manner. A credit score is primarily based on credit report information, typically sourced from credit bureaus.
- **FRM** – Fixed Rate Mortgage

Glossary (cont.)

MBS Terms (cont.)

- **HELOC** – Home Equity Line of Credit mortgage product is characterized by adjustable-rate, 1st lien or 2nd lien loans with revolving balances and CLTV ratios typically in the range of 75 – 100%. The borrower quality may be prime or near prime.
- **HLTV** – High Loan-to-Value mortgage product is characterized by fixed rate, 2nd lien loans with CLTV ratio in the range of 100-125%. Borrower quality ranges from prime to non-prime. Loan balances cannot increase.
- **LTV** – Loan-to-Value ratio measures the ratio of mortgage loan balance over the value of the real estate property backing the loan.
- **Prime** – Prime mortgage product is characterized by 1st lien loans to prime quality borrowers with full or near full verification of borrowers' income and assets. The loans may be FRM or ARM and may have large balances (jumbo loans).
- **RMBS or MBS** – Residential Mortgage-Backed Securities (MBS and RMBS are used interchangeably)
- **Subprime** – Mortgage product characterized by 1st lien, FRM or ARM mortgage loans to subprime quality borrowers

Glossary (cont.)

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CDO Terms

- **CDO –** A collateralized debt obligation is a special purpose vehicle that sells notes to raise money to purchase a pool of assets. The CDO manager selects the initial pool of assets and may reinvest principal payments and trade the assets on a limited basis.
- What distinguishes a CDO from a portfolio is that there is a “priority of payments” that determines the order of payments to noteholders and other parties. The cash flows from the assets are paid to the noteholders, either in order of seniority or on a pro rata basis. CDO structures typically contain collateral quality tests, interest coverage and collateral coverage tests. If these tests are violated, cash flows are redirected to amortize the notes in order of seniority.
- **CLO** – A collateralized loan obligation is a type of CDO which invests primarily in leveraged loans. These instruments invest in pools of primarily non-investment grade first lien senior secured loans that have generally experienced high recovery rates. There are limitations on the amounts of assets that are not senior secured, such as high yield bonds and second lien loans.

Glossary (cont.)

CDO Terms (cont.)

- **ABS CDO** – An asset-backed security CDO is a type of CDO that invests primarily in RMBS. There is generally a mixture in quality of RMBS assets between prime, nonprime and subprime. In addition to the majority of assets that are RMBS, these vehicles may also have limited investments in other CDOs, CMBS and other ABS securities.
  - when RMBS is primary asset, generally has 100-120 bonds in the portfolio, each representing approximately 5,000-6,000 mortgage loans
  - can also invest in other CDOs
  - subsets of ABS CDOs:
    - High Grade ABS CDOs – average intended rating on underlying bonds is A; high grade portfolios tend to contain larger buckets of CDO assets to enhance overall yield
    - Mezzanine ABS CDOs – average intended rating on underlying bonds is BBB; mezzanine portfolios generally comprised of RMBS assets with small buckets of CDO assets

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