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**FOR IMMEDIATE RELEASE**

## **FGIC ANNOUNCES ESTIMATE OF THIRD QUARTER 2007 UNREALIZED MARK-TO-MARKET ADJUSTMENT ON ITS CREDIT DERIVATIVES**

**October 18, 2007 – New York, NY** – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, announced today that it expects third quarter 2007 consolidated financial results to be negatively impacted by a mark-to-market (or fair value) adjustment on its insured credit derivative portfolio. FGIC estimates that this adjustment, which relates principally to transactions that FGIC has guaranteed in credit default swap form, will produce an unrealized loss of approximately \$206 million before taxes for the quarter. The Company anticipates that, as a result of the adjustment, it will report a net loss of approximately \$65 million for the third quarter of 2007.

Frank Bivona, FGIC Chief Executive Officer, noted, “This unrealized loss reflects the current volatility in the structured credit markets. It does not reflect our view of the credit quality of FGIC’s insured credit derivative portfolio, which remains strong at an average internal rating of triple-A. Further, this unrealized loss has no impact on FGIC’s claims-paying resources, for rating agency or regulatory purposes. We continue to believe that there is a low potential for FGIC to pay claims that would have a material impact on its claims-paying resources.”

Mr. Bivona continued, “Credit spread widening, the cause of the adjustment, is a welcome sign, since for some time FGIC has felt that the credit markets have undervalued risk. The market turmoil leading to the mark-to-market adjustment has also reminded investors of the value that our financial guaranty product brings. Therefore, while continuing volatility may lead to positive or negative fair value adjustments in the future, it should ultimately translate into better business opportunities.”

This preliminary information concerning third quarter 2007 results has been provided prior to FGIC’s scheduled earnings announcement due to the extreme market turmoil over the past few months. Investors should not expect this information to be updated prior to FGIC’s scheduled earnings announcement nor should investors expect FGIC to provide any preliminary or other information concerning the results of future quarters prior to the applicable scheduled quarterly earnings announcement.

FGIC will announce third quarter 2007 earnings on Tuesday, October 30, 2007. FGIC will host a conference call at 2:00 p.m. (ET) on October 30 to discuss third quarter 2007 results. The dial-in number for the call is (877) 407-8035 (domestic) and (201) 689-8035 (international). The call will also be broadcast live at <http://www.fgic.com/investorrelations/conferencecalls>.



## **Company Profile**

FGIC Corporation is an insurance holding company whose wholly owned subsidiary, Financial Guaranty Insurance Company, provides credit enhancement on infrastructure finance and structured finance securities worldwide. 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 possible future 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 of new pronouncements by accounting authorities and changes in tax laws; (5) the level and nature of activity within the national and international credit and other markets; (6) fluctuations in the economic, credit or interest rate environment in the United States or abroad; (7) possible defaults and/or additional ratings downgrades or actions in mortgage-backed securities 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, except as required by law.

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