

Financial Guaranty Insurance Company Insured MBS and CDO Portfolio as of September 30, 2007

published on October 30, 2007



Overview 3-4

Part I – MBS 5

Underwriting 6-7

Portfolio 8-11

Part II – ABS CDOs 12

Overview 13

Underwriting 14-19

Portfolio 20-25

Part III – Appendix 26

Mark-to-Market 27

MBS Terms 28-29

CDO Terms 30-31

Overview



FGIC

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
- Diversity across collateral, vintage, asset type and counterparty
- All Triple-A rated transactions at inception, except for one split-rated, AAA / Aa1 deal
- No current exposures have been downgraded, though one currently on watch for downgrade by Moody's.
- Internal ratings on six ABS CDO's have been lowered.
- Structural enhancements in CDOs provide additional protection - some of those structural enhancements have been triggered as a result of downgrades of underlying collateral.

Part I – MBS Underwriting and Portfolio



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)

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

FGIC's Proprietary MBS Underwriting Model

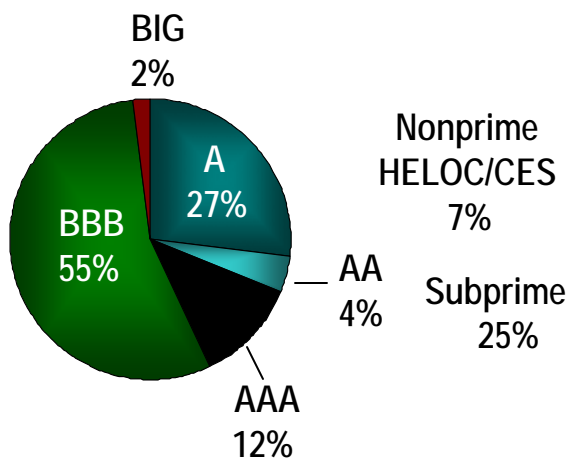
- Built on data from loan performance database that includes performance history of more than 10,000,000 loans over 20 years and FGIC's own portfolio experience
- Predicts frequency of default and severity of loss based on key loan level characteristics (e.g., FICO, CLTV, etc.)
- Runs 10,000 simulations to generate 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

- At September 30, 2007, MBS portfolio comprised 252 transactions representing \$31.3B 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

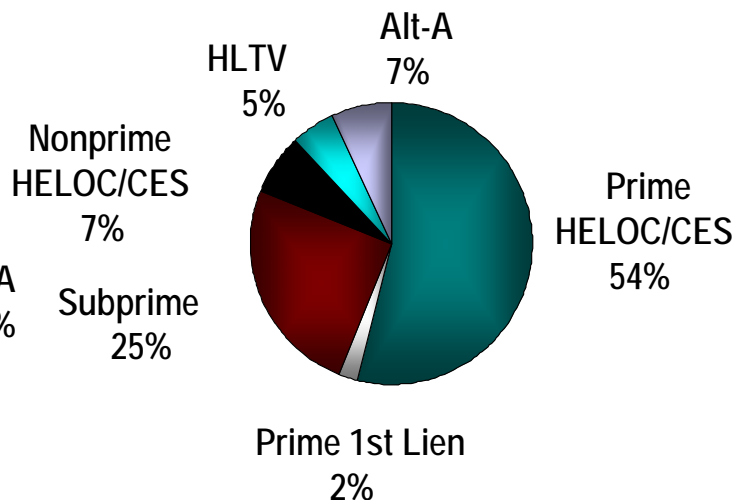
FGIC Total Net Par In Force (NPIF): \$314.8B

Total MBS NPIF: \$31.3B

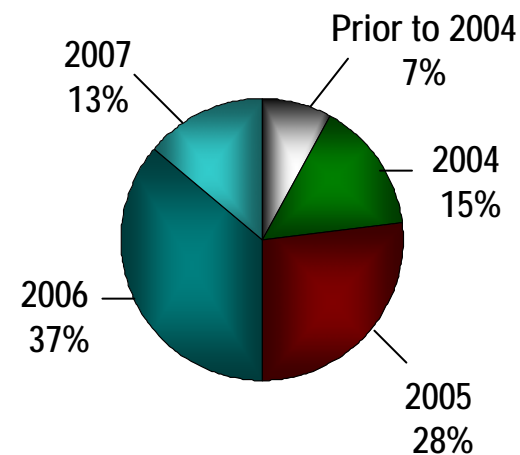
BY RATING



BY ASSET TYPE



BY VINTAGE

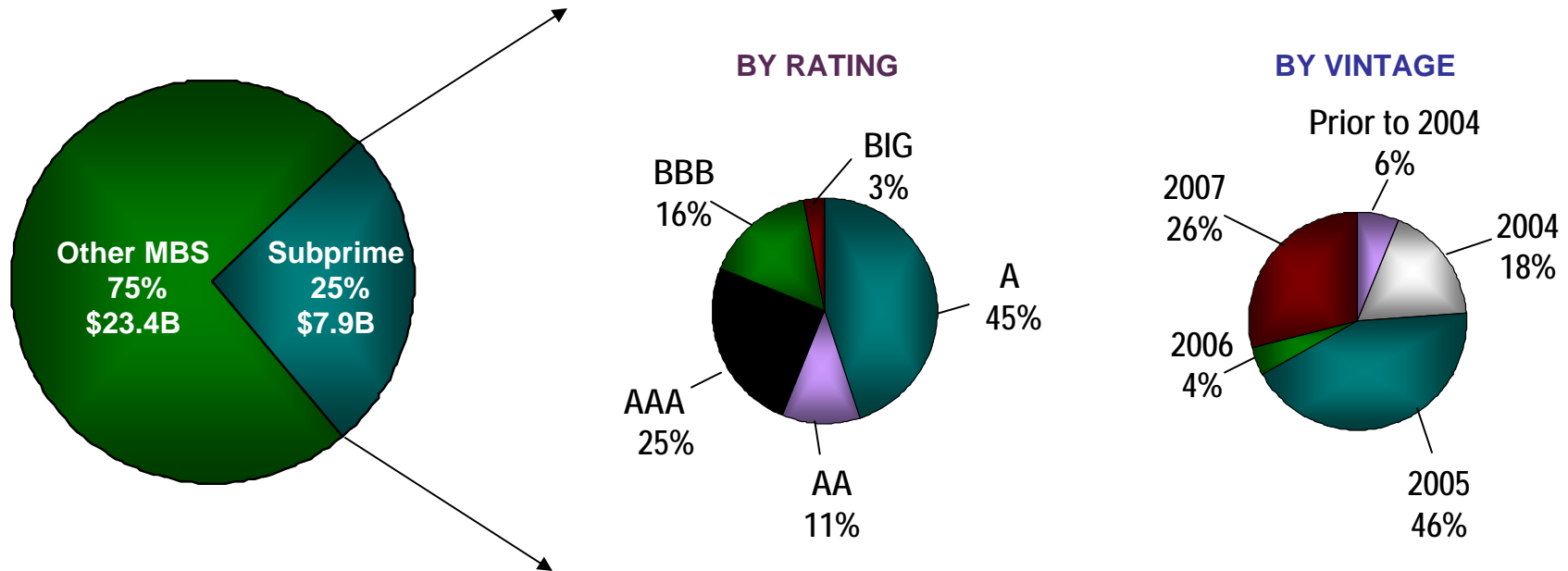


▪ MBS portfolio: diversified by vintage, collateral type and attachment point

MBS Portfolio – Subprime Distribution

(as of 09/30/07)

Total MBS NPIF: \$31.3B • Total Subprime MBS NPIF: \$7.9B



- FGIC's Sub-prime MBS portfolio: 81% rated "A" or better
- All BIG MBS deals insured prior to 2001

Note: Based on FGIC internal ratings

Top Five First Lien Subprime Issues and Servicers



Net par in force as of 09/30/07

(\$ in millions)

Deal	Issuer	Servicer	Vintage	Net Par in Force
RAMP 2005-RS9	RFC	HomeComings (GMAC-RFC)	2005	\$693
MSAC 2007-NC4	Morgan Stanley	Saxon Mortgage Services, Inc.	2007	\$682
AMLT 2005-W1	Ameriquest	Citi Residential Lending, Inc.	2005	\$595
RASC 2007-EMX1	RFC	HomeComings (GMAC-RFC)	2007	\$573
RAMP 2005-NC1	RFC	HomeComings (GMAC-RFC)	2005	\$502

Top Five Servicers	Servicer Ratings: Fitch / Moody's / S&P	Total Net Par in Force	Percentage of Subprime Book
HomeComings**	RPS2+ / SQ2 / Strong	\$3,443	44%
Citi Residential Lending, Inc.*	RPS3+ / SQ2+ / Strong	1,244	16%
Saxon Mortgage Svcs.	RPS2+ / SQ2+ / Above Average	930	12%
EMC Mortgage Corp.	RPS1 / SQ1- / Above Average	660	8%
GMAC Mortgage, LLC**	RPS2+ / NA / Above Average	<u>323</u>	<u>4%</u>
		\$6,599	84%

*Currently under review by one or more rating agencies

**GMAC and Homecomings have been combined recently under one servicing platform.

Part II – ABS CDO Underwriting and Portfolio



FGIC

- FGIC provides protection on CDOs in both financial guaranty (FG) and credit default swap (CDS) form:
 - CDS: 86% of NPIF
 - FG: 14% 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

- 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

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

- 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

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

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

Underwriting Requirements

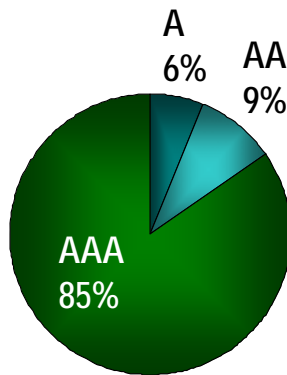
- Results of all base models should be Triple-A
- Results of three notch collateral rating downgrade should be Triple-A
- Results of six notch collateral rating downgrade should be at least investment grade
- Results of all stressed runs should be at least investment grade

- Insured ABS CDO portfolio:
 - comprised of 18 transactions representing \$10.9B 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 23% of total ABS CDO NPIF
- Underlying bonds are concentrated in subprime and other RMBS and CDO investments originated in 2005 and 2006:
 - highly diversified by individual exposure (100 to 200 unique assets or more)

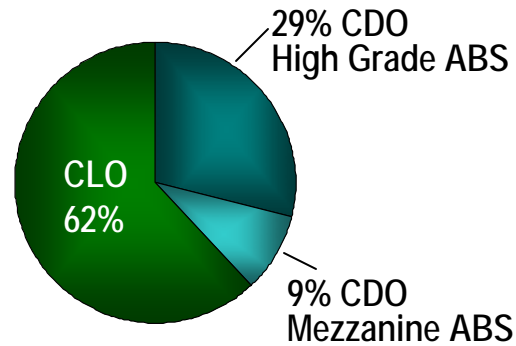
Total CDO Portfolio

Net par outstanding as of 09/30/07: \$28.1 Billion

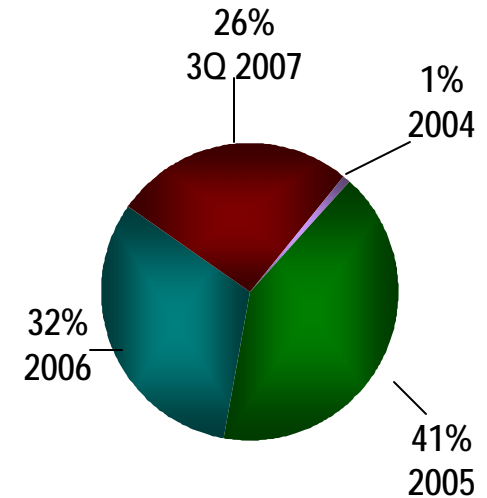
BY RATING



BY BOND TYPE



BY VINTAGE



- 99% of the portfolio is still rated triple-A by the rating agencies prior to FGIC guaranty though one deal currently on watchlist.
- 85% of CDO portfolio is rated triple-A by FGIC.

* Based on FGIC internal ratings.

ABS CDO Portfolio – High Grade Composition



Product Types	% of High Grade
RMBS – Other	33%
RMBS – Subprime	38%
CDO	20%
CMBS	6%
Other	<u>2%</u>
Total	100%

Vintages	% of Inner CDO
Prior to 2005	10%
2005	20%
2006	54%
2007	<u>16%</u>
Total	100%

Moody's Ratings Distribution	% of High Grade
Aaa	35%
Aa	33%
A	24%
Baa	5%
Ba	2%
B	<u>1%</u>
Total	100%
Weighted Average	A2

Top Five Servicers	% of High Grade
Countrywide	13%
Wells Fargo Bank N. A.	11%
GMAC / RFC	8%
Option One Mortgage Corp	4%
Wachovia Bank N. A.	<u>3%</u>
Total	39%

High Grade Inner CDO Detail	% of Inner CDO
Mezzanine CDOs of ABS	34%
High Grade CDOs of ABS	27%
CLO	10%
Other CDOs	<u>29%</u>
Total	100%

- Subprime definition – all deals that have FICO scores of 640 and below.
- The table for Moody's ratings uses Moody's ratings where available. To the extent Moody's does not rate the transaction – S&P equivalent is used.

ABS CDO Portfolio – Mezzanine Composition

Product Types	% of Mezz	Moody's Ratings Distribution	% of Mezz
RMBS – Subprime	65%	Aaa	3%
RMBS – Other	27%	Aa	6%
CDO	4%	A	8%
CMBS	4%	Baa	42%
Other	1%	Ba	18%
Total	100%	B	11%
		Caa	2%
		Ca	4%
		C	6%
		Total	100%
		Weighted Average	Ba3

Vintages	% of Mezz	Top Five Servicers	% of Mezz
Prior to 2005	10%	Litton Loan Servicing	17%
2005	49%	Countrywide	12%
2006	39%	Wells Fargo Bank N.A.	9%
2007	1%	GMAC / RFC	9%
Total	100%	AMC Mortgage Services	4%
		Total	51%

- Subprime definition – all deals that have FICO scores of 640 and below.
- The table for Moody's ratings uses Moody's ratings where available. To the extent Moody's does not rate the transaction – S&P equivalent is used.

ABS CDO Insured Portfolio (as of 09/30/07)



Year Issued	Net Par (\$ Mil)	Collateral as a Percentage of Total Pool						Moody's / S&P Ratings	FGIC ² Ratings	Original AAA/Aaa Subordination	Current Subordination Below FGIC
		Subprime RMBS	Other RMBS	CMBS	CDO	Other	Total				
High-Grade ABS CDOs											
2005 ¹	\$372	31%	34%	3%	10%	22%	100%	Aaa/AAA	AAA	13%	38%
2005 ¹	539	22%	43%	11%	13%	11%	100%	Aaa/AAA	AAA	5%	8%
2005	890	49%	20%	4%	26%	1%	100%	Aaa/AAA	AAA	7%	11%
2006	890	27%	57%	1%	13%	2%	100%	Aaa/AAA	AAA	6%	11%
2006	770	35%	29%	8%	28%	0%	100%	Aaa/AAA	AA	7%	13%
2007	859	39%	26%	0%	35%	0%	100%	Aaa/AAA	AA	6%	14%
2007	859	42%	23%	0%	35%	0%	100%	Aaa/AAA	AA	6%	14%
2007	1,000	0%	100%	0%	0%	0%	100%	Aaa/AAA	AAA	3%	10%
2007	1,570	47%	26%	9%	18%	0%	100%	Aaa/AAA	AAA	6%	19%
2007	670	25%	32%	24%	19%	0%	100%	Aaa/AAA	AAA	7%	21%
High Grade Subtotal	\$8,419										
Mezzanine ABS CDOs											
2005	\$109	1%	80%	17%	2%	0%	100%	Aaa/AAA	AAA	37%	42%
2005 ¹	180	52%	31%	7%	6%	4%	100%	Aaa/AAA	AAA	19%	23%
2006	200	62%	35%	3%	0%	0%	100%	Aaa/AAA	AAA	24%	50%
2006	900	78%	14%	0%	8%	0%	100%	Aaa/AAA	A	20%	40%
2006	575	79%	11%	5%	5%	0%	100%	Aaa/AAA	A	20%	43%
2006 ¹	145	48%	43%	6%	0%	3%	100%	Aaa/AAA	AAA	18%	19%
2006 ¹	132	61%	34%	3%	1%	1%	100%	Aaa/AAA	AAA	19%	19%
2006 ¹	272	75%	25%	0%	0%	0%	100%	Aa1/AAA	A	38%	38%
Mezzanine Subtotal	\$2,513										
TOTAL	\$10,932³										

¹ Indicates financial guaranty execution

² FGIC ratings as of October 29, 2007

³ In addition, FGIC has entered into a commitment agreement to issue financial guaranty policies in respect of up to \$1.875 billion of high grade and mezzanine ABS CDOs contained in a \$2.5 billion reference portfolio, subject to FGIC's rights and to the terms and conditions of the commitment agreement, including the reference portfolio having first suffered \$625 million of losses in accordance with the operative documents. (Footnote added December 28, 2007.)

ABS CDO Insured Vintage Portfolio (as of 09/30/07)



Year Issued	Net Par (\$ Mil)	Vintage as a Percentage of Total Pool					Moody's / S&P Ratings	FGIC ² Ratings	Original AAA/Aaa Subordination	Current Subordination Below FGIC
		2004 and Prior	2005	2006	2007	Total				
High-Grade ABS CDOs										
2005	\$372	52%	48%	0%	0%	100%	Aaa/AAA	AAA	13%	38%
2005	539	54%	46%	0%	0%	100%	Aaa/AAA	AAA	5%	8%
2005	890	23%	64%	9%	4%	100%	Aaa/AAA	AAA	7%	11%
2006	890	4%	33%	57%	6%	100%	Aaa/AAA	AAA	6%	11%
2006	770	2%	12%	82%	4%	100%	Aaa/AAA	AA	7%	13%
2007	859	1%	5%	94%	0%	100%	Aaa/AAA	AA	6%	14%
2007	859	2%	1%	97%	0%	100%	Aaa/AAA	AA	6%	14%
2007	1,000	0%	0%	10%	90%	100%	Aaa/AAA	AAA	3%	10%
2007	1,570	1%	12%	87%	0%	100%	Aaa/AAA	AAA	6%	19%
2007	670	1%	6%	29%	64%	100%	Aaa/AAA	AAA	7%	21%
High Grade Subtotal	\$8,419									
Mezzanine ABS CDOs										
2005	\$109	28%	63%	5%	4%	100%	Aaa/AAA	AAA	37%	42%
2005 ¹	180	66%	34%	0%	0%	100%	Aaa/AAA	AAA	19%	23%
2006	200	4%	68%	28%	0%	100%	Aaa/AAA	AAA	24%	50%
2006	900	0%	39%	61%	0%	100%	Aaa/AAA	A	20%	40%
2006	575	5%	29%	64%	2%	100%	Aaa/AAA	A	20%	43%
2006 ¹	145	0%	95%	5%	0%	100%	Aaa/AAA	AAA	18%	19%
2006 ¹	132	2%	46%	52%	0%	100%	Aaa/AAA	AAA	19%	19%
2006 ¹	272	25%	47%	19%	9%	100%	Aa1/AAA	A	38%	38%
Mezzanine Subtotal	2,513									
Vintage ABS CDO TOTAL	\$10,932³									

¹ Executed in financial guarantee form

² FGIC ratings as of October 29, 2007

³ In addition, FGIC has entered into a commitment agreement to issue financial guaranty policies in respect of up to \$1.875 billion of high grade and mezzanine ABS CDOs contained in a \$2.5 billion reference portfolio, subject to FGIC's rights and to the terms and conditions of the commitment agreement, including the reference portfolio having first suffered \$625 million of losses in accordance with the operative documents. (Footnote added December 28, 2007.)

Part III – Appendix



FGIC

- Under U.S. GAAP, FGIC is required, at each financial statement date, to mark to fair value any credit default swaps and other contracts which are accounted for as derivatives.
- The mark-to-market calculation is intended to estimate the difference between the exit price for the contract given market conditions at the time of the estimate, and the value of that contract determined in the prior reporting period.
- Determination of fair value in an illiquid market is based on internally developed models. Inputs to the model include credit spreads (the difference between the spread implied by the dealer quote on the underlying bonds and the risk free rate), contractual terms and yield curves.
- Mark-to-market unrealized loss at a given point in time is not indicative of FGIC's ultimate losses, if any. FGIC's intent is to hold the contract to maturity. If there is no credit impairment, the periodic unrealized gains and losses will revert to zero over the term 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 principal and interest, limiting liquidity requirements.

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

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

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.

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

The information contained in this presentation is of a general nature and includes forward-looking statements. Actual results may differ, and FGIC does not undertake to update the forward-looking statements or any other information contained in this presentation, except as required by law. This presentation is not intended to be, and should not be, relied upon for the purpose of making any investment decisions whatsoever. Under no circumstances does it constitute an offer or invitation to invest in FGIC or any securities or obligations guaranteed by FGIC.