FGIC

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FOR IMMEDIATE RELEASE

FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS SECOND QUARTER NET INCOME $68.9 MILLION, UP 10%

July 31, 2007 – New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, announced today that net income for the quarter ended June 30, 2007 was $68.9 million, a 10% increase over net income of $62.4 million for the quarter ended June 30, 2006. The increase in net income was attributable to business growth, higher refundings and a positive income tax adjustment of $5.4 million, offset by after-tax unrealized mark-to-market losses of $10.6 million related to credit default swap exposures.

Frank J. Bivona, CEO, commented, "After a prolonged period, we are beginning to see fixed income investors demand a higher and more rational risk premium for credit. This is a very positive development for our industry as it increases the demand for and value of our products globally. We are also pleased that core growth for FGIC remained very strong in the second quarter."

Mr. Bivona added, "Based on stress in the U.S. mortgage market, we continue to closely monitor our insured RMBS and ABS CDO transactions."

Non-GAAP Performance Measures

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). These measures 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 various gains and losses, principally including net investment gains and losses and mark-to-market gains and losses on credit derivative contracts; it 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 by the issuer 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") and deferred acquisition costs are recognized.

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 includes both direct and assumed financial guaranty premiums and amounts received for credit default swaps, which the Company considers to be a normal extension of its financial guaranty business. AGP adjusts gross premiums written to add the present value of estimated future installment premiums written on financial guaranty policies issued in the period. Management and many research analysts believe that AGP is a useful measure of business production because it provides an estimate of the total value associated with business written in a period, rather than just the premiums collected or earned in the period. Further, AGP correlates to reported insured par written.

Net Income

Net income for the quarter ended June 30, 2007 was $68.9 million, a 10% increase over net income of $62.4 million for the quarter ended June 30, 2006. The increase in net income was attributable to business growth, higher refundings and a positive income tax adjustment of $5.4 million, offset by after-tax unrealized mark-to-market losses of $10.6 million related to credit default swap exposures. The net income effect of refunding premiums was $10.3 million for the quarter ended June 30, 2007 compared to $9.7 million for the quarter ended June 30, 2006. Table I shows net income and Core Net Income for the second quarters and first six months of 2007 and 2006.

Table I – Net Income **($ millions)**	**2Q 2007**	**2Q 2006**	**% Change**	**6 months 2007**	**6 months 2006**	**% Change**
Net Income	$68.9	$62.4	+10%	$142.3	$117.9	+21%
Less: Net income effect of net realized gains and losses on foreign exchange and investments	(0.3)	(0.1)		(0.7)	(0.2)	
Plus: Net income effect of net realized and unrealized losses on credit derivative contracts	10.6	0.3		10.3	0.5	
Less: Net income effect of refunding premiums	(10.3)	(9.7)		(19.9)	(14.4)	
Core Net Income	$68.9	$52.9	+30%	$132.0	$103.8	+27%

Book Value and ABV

At June 30, 2007, stockholders' equity, or book value, equaled $2.46 billion, an increase of 5% over stockholders' equity of $2.35 billion at December 31, 2006. ABV also increased by 5%, to $3.66 billion at June 30, 2007, from $3.48 billion at December 31, 2006. Table II shows the increases in book value and ABV between June 30, 2007 and December 31, 2006.

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Table II – Increase in Book Value and ABV **($ millions)**	**June 30, 2007**	**Dec 31, 2006**	**% Change**
Book Value	$2,463.6	$2,354.0	+5%
Adjusted Book Value	$3,661.6	$3,478.0	+5%

NEW BUSINESS PRODUCTION

AGP

AGP for the quarter ended June 30, 2007 was $217.8 million, a 19% decrease from AGP of $267.6 million for the quarter ended June 30, 2006.

For public finance, despite an increase in FGIC's gross par written in the 2007 second quarter over the comparable quarter of 2006, AGP declined for the 2007 quarter, due to lower overall pricing in the public finance sector and fewer complex transactions. One area of particular strength for FGIC in the second quarter of 2007 was the healthcare sector, where FGIC insured five high quality transactions.

In structured finance, FGIC insured several large transactions in the commercial asset-backed area, including deals in the pooled aircraft, rental fleet and timeshare sectors. In consumer finance, FGIC guaranteed a large auto receivables deal, several MBS transactions and a small credit card deal. In the CDO sector, FGIC insured several CLOs and one high-grade ABS transaction.

In international finance, FGIC guaranteed a variety of transactions in five different countries. This included a UK hospital transaction, several future flow deals and an Australian utility transaction.

AGP for the six months ended June 30, 2007 was $337.0 million, a 17% decrease from AGP of $407.4 million for the six months ended June 30, 2006.

Table III breaks down AGP for public, structured and international finance for the second quarters and first six months of 2007 and 2006.

Table III – AGP **($ millions)**	**2Q 2007**	**2Q 2006**	**% Change**	**6 months 2007**	**6 months 2006**	**% Change**
U.S. Public Finance	$78.2	$120.1	-35%	$126.7	$184.9	-31%
U.S. Structured Finance	78.8	80.3	-2%	112.0	130.0	-14%
International Finance	60.8	67.2	-10%	98.3	92.6	+6%
Total	**$217.8**	**$267.5**	**-19%**	**$337.0**	**$407.4**	**-17%**

REVENUE ANALYSIS

Gross Premiums Written

Gross direct and assumed premiums written for the quarter ended June 30, 2007 were $125.0 million, a 23% decrease from the $163.3 million written for the quarter ended June 30, 2006. Gross premiums written included revenues received for credit default swaps. For public finance, gross premiums written in the second quarter of 2007 were $74.3 million, compared to $115.0 million for the comparable period of 2006, due to factors referred to above. Structured finance gross premiums written in the quarter were $35.3 million, growing 44% from $24.5 million in the comparable quarter of 2006. This growth stemmed from the build-up of FGIC's structured finance portfolio over the past several years. International finance gross premiums written in the second quarter of 2007 were $15.3 million, compared to $23.8 million for the second quarter of 2006.

Gross direct and assumed premiums written for the six months ended June 30, 2007 were $228.2 million, a 10% decrease from the $252.5 million for the six months ended June 30, 2006.

Net Premiums Written

Net premiums written (gross direct and assumed premiums written less premiums ceded to reinsurers) for the quarter ended June 30, 2007 were $93.4 million compared to $134.4 million for the quarter ended June 30, 2006. For the 2007 quarter, ceded premiums were $31.6 million, compared to $28.9 million for the 2006 quarter.

Net premiums written for the six months ended June 30, 2007 were $184.4 million compared to $217.2 million for the six months ended June 30, 2006

Net Premiums Earned

Net premiums earned for the quarter ended June 30, 2007 were $80.6 million, a 12% increase over net premiums earned of $71.8 million for the quarter ended June 30, 2006. Most of this improvement resulted from the substantial increase in new business production since the beginning of 2004.

Net premiums earned for the six months ended June 30, 2007 were $157.2 million compared to net premiums earned of $131.3 million for the six months ended June 30, 2006. Table IV breaks down net earned premiums for the second quarters and first six months of 2007 and 2006.

Table IV – Net Premiums Earned **($ millions)**	**2Q 2007**	**2Q 2006**	**% Change**	**6 months 2007**	**6 months 2006**	**% Change**
U.S. Public Finance	$29.6	$29.1	+2%	$59.1	$57.2	+3%
U.S. Structured Finance	27.9	23.7	+18%	54.2	45.1	+20%
International Finance	6.7	3.5	+92%	12.4	6.2	+100%
Total Scheduled Premiums Earned	$64.2	$56.3	+14%	125.7	108.5	+16%
Refunding Premiums	16.4	15.5	+6%	31.5	22.8	+38%
Total	**$80.6**	**$71.8**	**+12%**	**$157.2**	**$131.3**	**+20%**

Investment Income

For the quarter ended June 30, 2007, net investment income was $38.6 million, a 13% increase over net investment income of $34.3 million for the quarter ended June 30, 2006. The increase in the 2007 second quarter was attributable to continued growth in the investment portfolio as a result of strong positive cash flow from premium production.

For the six months ended June 30, 2007, net investment income was $76.4 million, a 14% increase over net investment income of $66.9 million for the six months ended June 30, 2006.

Net Realized and Unrealized Losses on Credit Derivative Contracts

Net realized and unrealized losses for the quarter ended June 30, 2007 were $16.3 million compared to $0.5 million for the quarter ended June 30, 2006. The increase was principally due to unrealized mark-to-market losses in the second quarter of 2007 driven by a decrease in underlying CDO prices due to the current stress in the sub-prime mortgage market, resulting in a lack of liquidity and widening credit spreads in the CDO of ABS sector. The Company considers these contracts to be a normal extension of its financial guaranty insurance business and intends to hold these contracts for their full contractual terms. Additional information regarding FGIC's CDO of ABS portfolio can be found in the Investor Relations section of the Company's website at *http://www.fgic.com/investorrelations/selectexposures/*.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

Underwriting and other operating expenses for the quarter ended June 30, 2007 were $21.1 million, compared to $18.2 million for the quarter ended June 30, 2006. The increase was attributable to the higher staffing levels required to support business growth and increased employee-related expenses.

Underwriting and other operating expenses for the six months ended June 30, 2007 were $41.3 million, an 18% increase compared to $35.0 million for the six months ended June 30, 2006.

Loss Expenses

FGIC's loss reserves fall into two categories: case reserves and watchlist reserves. Case reserves are established for insured obligations that are presently or likely to be in payment default at the balance sheet date, and for which 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, 2007, FGIC's loss expenses provided a benefit of $5.4 million compared to a benefit of $0.3 million for the comparable period of 2006. The 2007 benefit was primarily attributable to $4.5 million in claim reimbursements for claims paid by FGIC during 2006 and 2005 related to an insured obligation of an investor-owned utility impacted by Hurricane Katrina. The Company had previously not recorded a recovery for these claims due to the status of the utility's bankruptcy filing.

For the six months ended June 30, 2007, loss expenses provided a benefit of $4.2 million, compared to a benefit of $2.2 million for the six months ended June 30, 2006.

Interest Expense

For the quarter ended June 30, 2007, interest expense was $4.9 million, unchanged from the quarter ended June 30, 2006. Debt outstanding at both June 30, 2007 and 2006 was $323.4 million.

For the six months ended June 30, 2007, interest expense was $9.8 million, unchanged from the six months ended June 30, 2006.

BALANCE SHEET ITEMS

Assets

Total assets as of June 30, 2007 were $5.18 billion compared to total assets of $5.01 billion as of December 31, 2006. Total assets include $750 million, reflecting the Company's consolidation of a third party variable interest entity (VIE) in connection with 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, 2007, the market value of the Company's investment portfolio was $3.94 billion. The portfolio had an average credit quality of 'AA' based on Standard & Poor's ratings, and no investment was rated below 'A'.

ADDITIONAL INFORMATION

Claims-Paying Resources

As of June 30, 2007 FGIC had total claims-paying resources of $4.99 billion. This included capital and surplus of $1.10 billion and contingency reserves of $1.41 billion (which combined comprise qualified statutory capital, shown below), and unearned premium and loss and loss adjustment expense reserves totaling $1.45 billion. Table V provides comparisons of claims-paying resources as of June 30, 2007 and December 31, 2006.

Table V – Statutory Basis Claims-Paying Resources **($ millions)**	**As of June 30, 2007**	**As of Dec 31, 2006**
Qualified Statutory Capital	$ 2,507.9	$ 2,405.1
Soft Capital	300.0	300.0
Unearned Premiums and Loss and Loss Adjustment Expense Reserves	1,452.2	1,407.1
Present Value of Installment Premiums	732.5	630.8
Total Claims-Paying Resources	**$ 4,992.6**	**$ 4,743.0**

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Insured Portfolio

As of June 30, 2007, FGIC had $314 billion in insured net par outstanding. U.S. public finance transactions represented approximately 71% of the total insured portfolio; U.S. structured finance represented approximately 24% of the portfolio; and international finance obligations accounted for the remaining 5%. Based on FGIC internal ratings, expressed in industry terms, 83% of the insured portfolio had an underlying credit quality of ‘A’ or better, with over 99% rated investment grade at June 30, 2007.

Conference Call

FGIC will host a conference call at 2:00 p.m. (ET) on Tuesday, July 31, 2007, to discuss second quarter 2007 results. The dial-in number for the call is (877) 407-0782 (domestic) and (201) 689-8567 (international). The call will also be broadcast live at *http://www.fgic.com/investorrelations/conferencecalls/*.

Beginning at 4:00 p.m. (ET) on July 31, 2007, and running through August 31, 2007, the conference call will be available in replay. The replay numbers are (877) 660-6853 (domestic) and (201) 612-7415 (international). The Account and Conference ID numbers for the replay are 286 and 248553, respectively. A recording will also be available on FGIC’s website, *http://www.fgic.com*, approximately one hour after the end of the conference call.

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 FGIC’s 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 estimated future installment premiums, discounted at 5%. Table VI provides a reconciliation of ABV to book value at June 30, 2007 and December 31, 2006.

Table VI – ABV to Book Value **($ millions)**	**As of** **June 30, 2007**	**As of** **Dec 31, 2006**
ABV	$ 3,661.6	$ 3,478.0
Net unearned premium reserve less deferred acquisition costs	(721.5)	(714.0)
Net present value of future installment premiums	(476.5)	(410.0)
Book value	$ 2,463.6	$ 2,354.0

AGP

AGP is defined as gross up-front premiums written plus the present value of estimated future installment premiums written on financial guaranty policies issued in the period, discounted at 5%. A reconciliation of AGP to gross premiums written for the quarters and six-month periods ended June 30, 2007 and 2006 is included below in Table VII:

Table VII – AGP to Gross Premiums Written ($ millions)	2Q 2007	2Q 2006	6 months 2007	6 months 2006
AGP	$217.8	$267.5	$337.0	$407.4
Present value of installment premiums written on policies issued during the period	(130.3)	(151.3)	(179.8)	(226.7)
Gross up-front premiums written	87.5	116.2	157.2	180.7
Gross installment premiums written	37.5	47.1	71.0	71.8
Gross premiums written	$125.0	$163.3	$228.2	$252.5

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 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 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) possible defaults and/or ratings downgrades 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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FGIC Corporation and Subsidiaries

Consolidated Balance Sheets

($ thousands, except per share amounts)	June 30, 2007	Dec 31, 2006
Assets	*(unaudited)*	
Fixed maturity securities, available for sale, at fair value (amortized cost of $3,806,805 in 2007 and $3,644,851 in 2006)	**$ 3,746,504**	$ 3,644,195
Variable interest entity fixed maturity securities, held to maturity at amortized cost	**750,000**	750,000
Short-term investments	**191,835**	222,844
Total investments	**4,688,339**	4,617,039
Cash and cash equivalents	**65,110**	33,278
Accrued investment income	**53,624**	50,214
Reinsurance recoverable on losses	**1,111**	1,485
Prepaid reinsurance premiums	**184,020**	156,708
Policy acquisition costs deferred, net	**107,846**	93,170
Property and equipment, net of accumulated depreciation of $2,770 in 2007 and $2,107 in 2006	**6,441**	2,617
Prepaid expenses	**1,663**	1,282
Foreign deferred tax asset	**5,031**	3,491
Other assets	**64,018**	53,948
Total assets	**5,177,203**	5,013,232
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**1,402,102**	1,347,592
Loss and loss adjustment expense reserves	**39,732**	40,299
Ceded reinsurance balances payable	**9,970**	7,524
Accounts payable and accrued expenses	**36,266**	46,207
Other liabilities	**65,149**	40,235
Payable for securities purchased	**16,651**	10,770
Variable interest entity floating rate notes	**750,000**	750,000
Accrued interest expense – variable interest entity	**1,004**	1,298
Capital lease obligations	**2,263**	2,941
Current income taxes payable	**19,158**	22,609
Deferred income taxes	**47,971**	66,424
Debt	**323,384**	323,373
Total liabilities	**2,713,650**	2,659,272
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 at June 30, 2007 and December 31, 2006	**297,067**	287,355
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,403,223 and 2,403,067 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	**24**	24
Treasury stock	**(165)**	–
Additional paid-in capital	**1,446,510**	1,442,077
Accumulated other comprehensive income, net of tax	**(29,735)**	7,237
Retained earnings	**749,852**	617,267
Total stockholders’ equity	**2,463,553**	2,353,960
Total liabilities and stockholders’ equity	**$ 5,177,203**	$ 5,013,232

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FGIC Corporation and Subsidiaries

Consolidated Statements of Income (unaudited)

($ thousands)	**Three months ended Jun 30, 2007**	Three months ended Jun 30, 2006	**Six months ended Jun 30, 2007**	Six months ended Jun 30, 2006
Revenues:				
Gross premiums written	**$ 124,976**	$ 163,260	**$ 228,151**	$ 252,541
Ceded premiums written	**(31,582)**	(28,887)	**(43,777)**	(35,310)
Net premiums written	**93,394**	134,373	**184,374**	217,231
Increase in net unearned premiums	**(12,801)**	(62,528)	**(27,198)**	(85,922)
Net premiums earned	**80,593**	71,845	**157,176**	131,309
Net investment income	**38,613**	34,323	**76,385**	66,900
Interest income – investments held by variable interest entity	**8,755**	9,658	**20,112**	14,595
Net realized (losses) gains	**110**	(11)	**371**	51
Net realized and unrealized losses on credit derivative contracts	**(16,318)**	(543)	**(15,856)**	(771)
Other income	**933**	507	**1,345**	1,042
Total revenues	**112,686**	115,779	**239,533**	213,126
Expenses:				
Loss and loss adjustment expenses	**(5,388)**	(265)	**(4,206)**	(2,198)
Underwriting expenses	**23,403**	23,151	**52,156**	47,586
Policy acquisition costs deferred	**(7,782)**	(8,994)	**(21,755)**	(21,507)
Amortization of deferred policy acquisition costs	**3,871**	2,364	**7,654**	5,556
Other operating expenses	**1,632**	1,709	**3,278**	3,373
Interest expense – debt held by variable interest entity	**8,755**	9,658	**20,112**	14,595
Interest expense	**4,875**	4,875	**9,750**	9,750
Total expenses	**29,366**	32,498	**66,989**	57,155
Income before income taxes	**83,320**	83,281	**172,544**	155,971
Income tax expense	**14,409**	20,912	**30,247**	38,066
Net income	**68,911**	62,369	**142,297**	117,905
Preferred stock dividends	**(4,856)**	(4,542)	**(9,712)**	(9,087)
Net income available to common stockholders	**$ 64,055**	$ 57,827	**$ 132,585**	$ 108,818