FGIC

FGIC Corporation
125 Park Avenue
New York, NY 10017

Contact: Brian Moore
Senior Vice President
Investor Relations and Marketing
T 212·312·2776
brian.moore@fgic.com

FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
THIRD QUARTER NET LOSS $65.3 MILLION

October 30, 2007 – New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, today announced a net loss for the quarter ended September 30, 2007 of $65.3 million, compared to net income of $59.6 million for the quarter ended September 30, 2006. The net loss was attributable to an after-tax unrealized mark-to-market loss of $134.0 million related to the portion of FGIC's insured portfolio accounted for as derivatives. This mark-to-market adjustment was discussed in FGIC's October 18, 2007 announcement.

Frank J. Bivona, CEO, commented, "As mentioned in our prior release, we do not believe that these mark-to-market adjustments reflect the credit quality of FGIC's insured credit derivative portfolio but are instead an indication of the volatility in structured credit markets. FGIC is well-positioned financially to withstand this market turmoil."

Howard Pfeffer, President, added, "On the business production side, FGIC had excellent results from our non-US operations on a quarter-on-quarter basis, more than offsetting declines in the US businesses. This underscores the benefit of a diversified business model for both FGIC and the financial guaranty industry generally. We also believe that continued spread widening will translate into future business opportunities."

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 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 derivative contracts, 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 (Loss) Income

The Company incurred a net loss of $65.3 million for the quarter ended September 30, 2007, compared to net income of $59.6 million for the quarter ended September 30, 2006. The net loss was attributable to an after-tax unrealized mark-to-market adjustment of $134.0 million related to the portion of FGIC's insured portfolio accounted for as derivatives. For the quarter ended September 30, 2007 the net income effect of refunding premiums was $4.4 million compared to $3.8 million for the quarter ended September 30, 2006. Table I shows net income and Core Net Income for the third quarters and first nine months of 2007 and 2006.

Table I – Net Income **($ millions)**	**3Q 2007**	**3Q 2006**	**% Change**	**9 months 2007**	**9 months 2006**	**% Change**
Net (Loss) Income	$(65.3)	$59.6	-210%	$77.0	$177.5	-57%
Less: Net effect of net realized gains and losses on foreign exchange and investments	(0.0)	(0.1)		(0.7)	(0.3)	
Plus: Net effect of net realized and unrealized losses (gains) on credit derivative contracts	134.0	(0.7)		144.4	(0.2)	
Less: Net income effect of refunding premiums	(4.4)	(3.8)		(24.4)	(18.2)	
Core Net Income	$64.3	$55.0	+17%	$196.3	$158.8	+24%

Net Realized and Unrealized Gains (Losses) on Credit Derivative Contracts

Net realized and unrealized losses for the quarter ended September 30, 2007 were $206.2 million compared to net realized and unrealized gains of $1.1 million for the quarter ended September 30, 2006. The net realized and unrealized losses for the quarter ended September 30, 2007 were principally due to unrealized mark-to-market losses related to increases in credit spreads on credit derivative contracts issued by the Company, particularly 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/*.

FGIC

Book Value and ABV

At September 30, 2007, stockholders' equity, or book value, equaled $2.44 billion, an increase of 4% over stockholders' equity of $2.35 billion at December 31, 2006. ABV also increased by 6%, to $3.69 billion at September 30, 2007, from $3.48 billion at December 31, 2006. Table II shows the increases in book value and ABV between September 30, 2007 and December 31, 2006.

Table II – Increase in Book Value and ABV ($ millions)	**September 30, 2007**	**Dec 31, 2006**	**% Change**
Book Value	$2,440.9	$2,354.0	+4%
Adjusted Book Value	$3,687.6	$3,478.0	+6%

NEW BUSINESS PRODUCTION

AGP

AGP for the quarter ended September 30, 2007 was $203.8 million, a 62% increase from AGP of $125.8 million for the quarter ended September 30, 2006.

In public finance, FGIC insured a number of tax-backed transactions, particularly for education projects. FGIC also guaranteed large deals for the State of Florida and Puerto Rico. However, though the Company did insure significant portions of the Giants/Jets stadium financings, FGIC saw fewer of the more complex public finance transactions in the quarter. Such deals continue to be an area of focus.

The US structured finance business was particularly slow for FGIC with only a few secondary market transactions closed in the quarter. Overall new issue volume was negatively impacted by the current turmoil in the MBS and CDO markets, and FGIC did not qualify any new deals in these areas. Further, because the commercial asset-backed sector is marked by larger deals and less frequent issuers, production in this area is subject to some volatility. This sector was dramatically affected by current market conditions, which delayed several financings that were scheduled to close. However, widened credit spreads bode well for structured finance and FGIC continues to see solid opportunities going forward.

In international finance, FGIC had its best quarter to date. FGIC guaranteed several large public finance infrastructure transactions in the UK, for transportation and hospital projects, as well as infrastructure deals in Canada and France, and a variety of smaller transactions. International deals continue to be marked by long lead times; thus, quarterly production remains unpredictable.

AGP for the nine months ended September 30, 2007 was $540.8 million, a 1% increase from AGP of $533.2 million for the nine months ended September 30, 2006.

FGIC

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

Table III – AGP ($ millions)	3Q 2007	3Q 2006	% Change	9 months 2007	9 months 2006	% Change
U.S. Public Finance	$58.8	$63.1	-7%	$185.5	$248.0	-25%
U.S. Structured Finance	9.9	35.7	-72%	121.9	165.6	-26%
International Finance	135.1	27.0	+400%	233.4	119.6	+95%
Total	**$203.8**	**$125.8**	**+62%**	**$540.8**	**$533.2**	**+1%**

REVENUE ANALYSIS

Gross Premiums Written

Gross direct and assumed premiums written for the quarter ended September 30, 2007 were $122.3 million, a 44% increase from the $85.0 million written for the quarter ended September 30, 2006. For public finance, gross premiums written in the third quarter of 2007 were $40.8 million, compared to $51.0 million for the comparable period of 2006, for the reasons stated above. Structured finance gross premiums written in the quarter were $30.5 million, growing 24% from $24.6 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 third quarter of 2007 were $51.0 million, compared to $9.4 million for the third quarter of 2006. The increase in international finance gross premiums written was driven by several large infrastructure transactions.

Gross direct and assumed premiums written for the nine months ended September 30, 2007 were $350.4 million, a 4% increase from $337.6 million for the nine months ended September 30, 2006.

Net Premiums Written

Net premiums written (gross direct and assumed premiums written less premiums ceded to reinsurers) for the quarter ended September 30, 2007 were $93.9 million compared to $66.6 million for the quarter ended September 30, 2006. For the 2007 quarter, ceded premiums were $28.4 million, compared to $18.4 million for the 2006 quarter.

Net premiums written for the nine months ended September 30, 2007 were $278.3 million compared to $283.8 million for the nine months ended September 30, 2006

Net Premiums Earned

Net premiums earned for the quarter ended September 30, 2007 were $74.6 million, a 19% increase over net premiums earned of $62.7 million for the quarter ended September 30, 2006. Most of this improvement resulted from the substantial increase in new business production since the beginning of 2004.

FGIC

Net premiums earned for the nine months ended September 30, 2007 were $231.8 million compared to net premiums earned of $194.0 million for the nine months ended September 30, 2006. Table IV breaks down net earned premiums for the third quarters and first nine months of 2007 and 2006.

Table IV – Net Premiums Earned **($ millions)**	**3Q 2007**	**3Q 2006**	**% Change**	**9 months 2007**	**9 months 2006**	**% Change**
U.S. Public Finance	$29.5	$29.8	-1%	$88.6	$87.2	+2%
U.S. Structured Finance	29.4	23.5	+25%	83.6	68.6	+22%
International Finance	8.9	3.6	+147%	21.3	9.7	+120%
Total Scheduled Premiums Earned	$67.8	$56.9	+19%	$193.5	$165.5	+17%
Refunding Premiums	6.8	5.8	+17%	38.3	28.5	+34%
Total	**$74.6**	**$62.7**	**+19%**	**$231.8**	**$194.0**	**+19%**

Investment Income

For the quarter ended September 30, 2007, net investment income was $40.2 million, an 11% increase over net investment income of $36.2 million for the quarter ended September 30, 2006. The increase in the 2007 third quarter was attributable to continued growth in the investment portfolio as a result of strong positive cash flow from premium production.

For the nine months ended September 30, 2007, net investment income was $116.6 million, a 13% increase over net investment income of $103.1 million for the nine months ended September 30, 2006.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

Underwriting and other operating expenses for the quarter ended September 30, 2007 were $20.7 million, compared to $16.1 million for the quarter ended September 30, 2006. The increase was attributable to the higher staffing levels required to support business growth and increased employee-related expenses. In addition, amortization of policy acquisition costs increased due to the build-up of FGIC's structured finance portfolio over the past several years.

Underwriting and other operating expenses for the nine months ended September 30, 2007 were $62.0 million, a 21% increase compared to $51.1 million for the nine months ended September 30, 2006.

FGIC

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 September 30, 2007, FGIC's loss and loss adjustment expenses provided a benefit of $2.0 million compared to an expense of $0.5 million for the comparable period of 2006. The benefit reflects a reduction in Katrina-related watchlist reserves, as well as a reduction in par outstanding on a healthcare credit on the watchlist offset by the addition of a reserve related to a 2005 second lien mortgage-backed transaction.

For the nine months ended September 30, 2007, loss expenses provided a benefit of $6.2 million, compared to a benefit of $1.7 million for the nine months ended September 30, 2006. The 2007 benefit was primarily attributable to $4.5 million in claim reimbursements received by the Company during the second quarter for claims paid during 2006 and 2005 relating to an insured obligation of an investor-owned utility impacted by Hurricane Katrina.

Interest Expense

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

For the nine months ended September 30, 2007, interest expense was $14.6 million, unchanged from the nine months ended September 30, 2006.

BALANCE SHEET ITEMS

Assets

Total assets as of September 30, 2007 were $5.355 billion compared to total assets of $5.013 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 has 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 September 30, 2007, the market value of the Company's investment portfolio was $4.07 billion. The portfolio had an average credit quality of 'AA' based on Standard & Poor's ratings, and no investment was rated below 'A'.

FGIC

ADDITIONAL INFORMATION

Claims-Paying Resources

As of September 30, 2007 FGIC had total claims-paying resources of $5.14 billion. This included capital and surplus of $1.09 billion and contingency reserves of $1.48 billion (which combined comprise qualified statutory capital, shown below), and unearned premium and loss and loss adjustment expense reserves totaling $1.47 billion. Table V provides comparisons of claims-paying resources as of September 30, 2007 and December 31, 2006.

Table V – Statutory Basis Claims-Paying Resources **($ millions)**	**As of September 30, 2007**	**As of Dec 31, 2006**
Qualified Statutory Capital	$ 2,578.5	$ 2,405.1
Soft Capital	300.0	300.0
Unearned Premiums and Loss and Loss Adjustment Expense Reserves	1,471.1	1,407.1
Present Value of Installment Premiums	793.9	630.8
Total Claims-Paying Resources	**$ 5,143.5**	**$ 4,743.0**

Insured Portfolio

As of September 30, 2007, FGIC had $314.8 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 23% of the portfolio; and international finance obligations accounted for the remaining 6%. 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 September 30, 2007.

Conference Call

FGIC will host a conference call at 2:00 p.m. (ET) on Tuesday, October 30, 2007, 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/*.

Beginning at 4:00 p.m. (ET) on October 30, 2007, and running through November 30, 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 257012, 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.

FGIC

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 September 30, 2007 and December 31, 2006.

Table VI – ABV to Book Value **($ millions)**	**As of September 30, 2007**	**As of Dec 31, 2006**
ABV	$ 3,687.6	$ 3,478.0
Net unearned premium reserve less deferred acquisition costs	(730.6)	(714.0)
Net present value of future installment premiums	(516.1)	(410.0)
Book value	$ 2,440.9	$ 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 nine-month periods ended September 30, 2007 and 2006 is included below in Table VII:

Table VII – AGP to Gross Premiums Written **($ millions)**	**3Q 2007**	**3Q 2006**	**9 months 2007**	**9 months 2006**
AGP	$203.8	$125.8	$540.8	$533.2
Present value of installment premiums written on policies issued during the period	(123.6)	(88.5)	(303.4)	(315.2)
Gross up-front premiums written	80.2	37.3	237.4	218.0
Gross installment premiums written	42.1	47.7	113.0	119.6
Gross premiums written	$122.3	$85.0	$350.4	$337.6

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.

FGIC

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 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.

FGIC Corporation and Subsidiaries

Consolidated Balance Sheets

($ thousands, except per share amounts)	September 30, 2007	Dec 31, 2006
Assets	*(unaudited)*	
Fixed maturity securities, available for sale, at fair value (amortized cost of **$3,920,075** in 2007 and $3,644,851 in 2006)	**$ 3,914,622**	$ 3,644,195
Variable interest entity fixed maturity securities, held to maturity at amortized cost	**750,000**	750,000
Short-term investments	**153,153**	222,844
Total investments	**4,817,775**	4,617,039
Cash and cash equivalents	**71,870**	33,278
Accrued investment income	**55,753**	50,214
Reinsurance recoverable on losses	**3,425**	1,485
Prepaid reinsurance premiums	**204,638**	156,708
Policy acquisition costs deferred, net	**113,439**	93,170
Property and equipment, net of accumulated depreciation of **$3,132** in 2007 and $2,107 in 2006	**12,587**	2,617
Prepaid expenses	**1,286**	1,282
Foreign deferred tax asset	**3,942**	3,491
Derivative assets	**190**	314
Deferred income taxes	**6,406**	–
Other assets	**63,669**	53,634
Total assets	**5,354,980**	5,013,232
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**1,442,018**	1,347,592
Loss and loss adjustment expense reserves	**40,239**	40,299
Ceded reinsurance balances payable	**9,682**	7,524
Accounts payable and accrued expenses	**41,860**	46,207
Derivative liabilities	**224,273**	1,817
Other liabilities	**43,492**	38,418
Payable for securities purchased	**5,447**	10,770
Variable interest entity floating rate notes	**750,000**	750,000
Accrued interest expense – variable interest entity	**1,511**	1,298
Capital lease obligations	**2,299**	2,941
Current income taxes payable	**29,919**	22,609
Deferred income taxes	–	66,424
Debt	**323,390**	323,373
Total liabilities	**2,914,130**	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 September 30, 2007 and December 31, 2006	**301,921**	287,355
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,403,223 and 2,403,067 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	**24**	24
Treasury stock	**(165)**	–
Additional paid-in capital	**1,449,096**	1,442,077
Accumulated other comprehensive income, net of tax	**10,271**	7,237
Retained earnings	**679,703**	617,267
Total stockholders' equity	**2,440,850**	2,353,960
Total liabilities and stockholders' equity	**$ 5,354,980**	$ 5,013,232

FGIC Corporation and Subsidiaries

Consolidated Statements of Income (unaudited)

($ thousands)	Three months ended Sep 30, 2007	Three months ended Sep 30, 2006	Nine months ended Sep 30, 2007	Nine months ended Sep 30, 2006
Revenues:				
Gross direct and assumed premiums written	**$ 122,268**	$ 85,030	**$ 350,419**	$ 337,571
Ceded premiums written	**(28,351)**	(18,440)	**(72,128)**	(53,751)
Net premiums written	**93,917**	66,590	**278,291**	283,820
Increase in net unearned premiums	**(19,298)**	(3,852)	**(46,496)**	(89,775)
Net premiums earned	**74,619**	62,738	**231,795**	194,045
Net investment income	**40,247**	36,166	**116,632**	103,066
Interest income – investments held by variable interest entity	**10,901**	10,033	**31,013**	24,628
Net realized gains (losses)	**54**	(4)	**425**	47
Net realized and unrealized (losses) gains on credit derivative contracts	**(206,221)**	1,110	**(222,077)**	339
Other income	**167**	490	**1,512**	1,532
Total revenues	**(80,233)**	110,533	**159,300**	323,657
Expenses:				
Loss and loss adjustment expenses	**(2,031)**	520	**(6,237)**	(1,679)
Underwriting expenses	**23,638**	21,231	**75,794**	68,817
Policy acquisition costs deferred	**(8,858)**	(8,736)	**(30,613)**	(30,243)
Amortization of deferred policy acquisition costs	**3,848**	1,930	**11,502**	7,486
Other operating expenses	**2,043**	1,675	**5,321**	5,048
Interest expense – debt held by variable interest entity	**10,901**	10,033	**31,013**	24,628
Interest expense	**4,875**	4,875	**14,625**	14,625
Total expenses	**34,416**	31,528	**101,405**	88,682
(Loss) Income before income taxes	**(114,649)**	79,005	**57,895**	234,975
Income tax (benefit) expense	**(49,354)**	19,413	**(19,107)**	57,479
Net (loss) income	**(65,295)**	59,592	**77,002**	177,496
Preferred stock dividends	**(4,854)**	(4,543)	**(14,566)**	(13,627)
Net (loss) income available to common stockholders	**$(70,149)**	$ 55,049	**$62,436**	$ 163,869