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 Fourth Quarter and Full Year 2007 Results

Says It Remains Focused On Enhancing Capital Position, Loss Mitigation, Restructuring Operations

March 17, 2008 – New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, today announced net losses of $1.89 billion for the quarter ended December 31, 2007 and $1.82 billion for the year ended December 31, 2007.

The fourth quarter loss resulted primarily from loss and loss adjustment expense reserves and mark-to-market losses recorded for the quarter. The loss and loss adjustment expense reserves related principally to the Company's exposure to certain collateralized debt obligations of asset-backed securities (ABS CDOs), which are backed primarily by subprime residential mortgage-backed securities, and to certain residential mortgage-backed securities (RMBS), primarily RMBS backed by second-lien mortgages. The mark-to-market losses are related principally to ABS CDOs guaranteed in credit derivative form. Loss and loss adjustment expenses for the fourth quarter 2007 were $1.23 billion before taxes and mark-to-market losses were $1.71 billion before taxes for the quarter.

The increase in loss reserves for the quarter stemmed from the rapid and substantial deterioration during the quarter in the performance of certain RMBS and ABS CDO transactions written primarily in 2006 and 2007. FGIC anticipates that any claims relating to these transactions will be made over a period of years. The loss reserves do not reflect the effects, if any, of loss mitigation efforts. There can be no assurance that any loss mitigation efforts will be successful, and it is not possible to predict the magnitude of any benefit that might be derived from any such efforts that are successful.

The fourth quarter 2007 mark-to-market loss of $1.71 billion consists of approximately $750 million related to estimated credit impairments and $960 million related to the widening of credit spreads in the structured credit markets. The estimated credit impairment of $750 million represents management's estimate of future claim payments on certain ABS CDOs. The Company paid no claims related to ABS CDOs in 2007.

Capital Preservation and Enhancement Activities

FGIC has ceased writing new financial guaranty business for a period of time to preserve capital. The Company reiterated its commitment to take steps necessary to enhance its capital position, restructure operations and mitigate losses. FGIC has engaged Goldman Sachs to provide advice in connection with its capital enhancement initiatives. In addition, FGIC has proposed a significant restructuring of its insurance operations to the New York Insurance Department, including the organization of a new financial guaranty insurer to be domiciled in New York to provide support for global public finance and infrastructure obligations previously insured by FGIC and to write new business to serve those markets. Any restructuring will require significant capital, as well as approval from the New York Insurance Department, among others.

Financial Statements

FGIC's anticipates that its 2007 Consolidated Financial Statements will be posted on its website (www.fgic.com) as soon as they are available.

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 typically guarantees the scheduled payments of principal and interest on an issuer's obligation. FGIC is rated "AA" by Fitch Ratings, "A" by Standard & Poor's (S&P) and "A3" by Moody's Investors Service. FGIC remains on Ratings Watch Negative from Fitch, CreditWatch with developing implications from S&P, and review for possible downgrade by Moody's.

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) further downgrades to our ratings; (2) our ability to execute our business plan given our current ratings, possible further downgrades and market conditions; (3) the results of loss mitigation efforts; (4) legislative and regulatory developments within the United States and abroad, including the effect of new pronouncements by accounting authorities; (5) competitive conditions and pricing levels; (6) the level and nature of activity within the national and international credit and other markets; (7) fluctuations in the economic, credit or interest rate environment in the United States or abroad; (8) possible defaults and/or additional ratings downgrades or actions in mortgage-backed securities and (9) 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)	December 31, 2007	December 31, 2006
Assets		
Fixed maturity securities, available for sale, at fair value (amortized cost of **$3,942,868** in 2007 and $3,644,851 in 2006)	**$ 3,976,178**	$ 3,644,195
Variable interest entity fixed maturity securities, held to maturity at amortized cost	**750,000**	750,000
Short-term investments	**126,688**	222,844
Total investments	**4,852,866**	4,617,039
Cash and cash equivalents	**140,590**	33,278
Accrued investment income	**55,745**	50,214
Reinsurance recoverable on losses	**8,693**	1,485
Prepaid reinsurance premiums	**225,516**	156,708
Policy acquisition costs deferred, net	**107,854**	93,170
Property and equipment, net of accumulated depreciation of **$3,891** in 2007 and $2,107 in 2006	**16,713**	2,617
Income taxes receivable	**116,766**	–
Derivative assets	**267**	314
Deferred income taxes	**839,265**	3,491
Other assets	**65,092**	54,916
Total assets	**6,429,367**	5,013,232
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**1,458,476**	1,347,592
Loss and loss adjustment expense reserves	**1,267,420**	40,299
Ceded reinsurance balances payable	**3,696**	7,524
Accounts payable and accrued expenses	**55,976**	46,207
Derivative liabilities	**1,938,930**	1,817
Other liabilities	**44,276**	38,418
Payable for securities purchased	–	10,770
Variable interest entity floating rate notes	**750,000**	750,000
Accrued interest expense – variable interest entity	**1,208**	1,298
Capital lease obligations	**1,562**	2,941
Current income taxes payable	–	22,609
Deferred income taxes	–	66,424
Debt	**323,397**	323,373
Total liabilities	**5,844,941**	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 $0.01 per share; 6,000,000 shares authorized, 2,403,223 and 2,403,067 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	**24**	24
Treasury stock	**(165)**	–
Additional paid-in capital	**1,451,530**	1,442,077
Accumulated other comprehensive income, net of tax	**37,309**	7,237
Retained (loss) earnings	**(1,206,193)**	617,267
Total stockholders' equity	**584,426**	2,353,960
Total liabilities and stockholders' equity	**$ 6,429,367**	$ 5,013,232

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FGIC Corporation and Subsidiaries

Consolidated Statements of Income

($ thousands)	Three months ended Dec 31, 2007	Three months ended Dec 31, 2006	Year ended Dec 31, 2007	Year ended Dec 31, 2006
Revenues:				
Gross direct and assumed premiums written	**$ 100,849**	$ 103,660	**$ 451,268**	$ 441,231
Ceded premiums written	**(31,779)**	(20,666)	**(103,907)**	(74,417)
Net premiums written	**69,070**	82,994	**347,361**	366,814
Increase in net unearned premiums	**4,420**	(10,582)	**(42,076)**	(100,357)
Net premiums earned	**73,490**	72,412	**305,285**	266,457
Net investment income	**41,338**	36,682	**157,970**	139,748
Interest income – investments held by variable interest entity	**10,678**	11,265	**41,691**	35,893
Net realized gains	**537**	289	**962**	336
Net mark-to-market (losses) gains on credit derivative contracts	**(1,714,459)**	168	**(1,936,536)**	507
Other income	**2,167**	283	**3,679**	1,815
Total revenues	**(1,586,249)**	121,099	**(1,426,949)**	444,756
Expenses:				
Loss and loss adjustment expenses	**1,233,012**	(7,021)	**1,226,775**	(8,700)
Underwriting expenses	**20,216**	22,539	**96,010**	91,356
Policy acquisition costs deferred	**998**	(9,485)	**(29,615)**	(39,728)
Amortization of deferred policy acquisition costs	**4,150**	4,000	**15,652**	11,486
Other operating expenses	**2,920**	1,656	**8,241**	6,704
Interest expense – debt held by variable interest entity	**10,678**	11,265	**41,691**	35,893
Interest expense	**4,875**	4,875	**19,500**	19,500
Total expenses	**1,276,849**	27,829	**1,378,254**	116,511
(Loss) Income before income taxes	**(2,863,098)**	93,270	**(2,805,203)**	328,245
Income tax (benefit) expense	**(977,202)**	22,922	**(996,309)**	80,401
Net (loss) income	**(1,885,896)**	70,348	**(1,808,894)**	247,844
Preferred stock dividends	**–**	(4,858)	**(14,566)**	(18,485)
Net (loss) income available to common stockholders	**$(1,885,896)**	$ 65,490	**$(1,823,460)**	$ 229,359