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Financial Guaranty Insurance Company Announces Agreement to Obtain Reinsurance from MBIA Insurance Corporation

FGIC Also Announces Commutation of CDO of ABS Deal

Company Releases Second Quarter 2008 Statutory Financial Statements

August 27, 2008 – New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company (FGIC), today announced that FGIC has entered into a master agreement with MBIA Insurance Corporation (MBIA). Upon closing of this transaction, FGIC and MBIA will enter into a reinsurance agreement under which MBIA will reinsure certain policies covering approximately \$184 billion of FGIC's U.S. public finance insured par outstanding. The reinsurance provided by MBIA will enable covered policyholders to make claims for payment directly against MBIA in accordance with the terms of the reinsurance agreement.

The closing of the reinsurance transaction is subject to a number of closing conditions, including approval of the New York State Insurance Department. The reinsurance transaction is expected to close in late September 2008.

FGIC believes that this reinsurance transaction will benefit all policyholders and will substantially strengthen FGIC's statutory financial position.

As described in FGIC's statutory financial statements, FGIC and its wholly owned subsidiary FGIC UK Ltd. have completed a settlement agreement with Calyon, a French bank, regarding a commitment agreement provided by FGIC UK Ltd. to Havenrock II Limited, a special purpose vehicle created by IKB Deutsche Industriebank. Pursuant to the commitment agreement FGIC UK Ltd. agreed to issue a financial guaranty policy in respect of up to \$1.875 billion of high-grade and mezzanine CDOs of asset-backed securities contained in a \$2.5 billion reference portfolio. Calyon was a third party beneficiary with respect to FGIC UK Ltd.'s obligation, if any, to issue a financial guaranty policy pursuant to the commitment agreement. Under the settlement, FGIC, FGIC UK Ltd. and Calyon agree not to pursue actual and potential monetary claims that each party may have against the other in connection with the commitment agreement and the Havenrock II transaction, and related litigation. As consideration for the settlement FGIC UK Ltd. paid Calyon \$200 million.

FGIC would like to recognize the efforts of Superintendent Eric Dinallo and the New York State Insurance Department in supporting FGIC's endeavors to strengthen its statutory financial position.

FGIC has released its second quarter 2008 statutory financial statements which are now available on its website (www.fgic.com). As of June 30, 2008, FGIC had capital and surplus of \$286 million and contingency reserves of \$446 million (which combined comprise qualified statutory capital of \$732 million). FGIC's total claims-paying resources as of June 30, 2008 were \$5.2 billion.

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. FGIC's guaranties typically cover the scheduled payment of principal and interest on an issuer's obligations. Established in 1983, FGIC is rated "BB" by Standard & Poor's (S&P), "B1" by Moody's Investors Service and "CCC" by Fitch Ratings. FGIC is on CreditWatch with negative implications from S&P, rating outlook negative by Moody's and Rating Watch Evolving from Fitch.

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) the extent to which we are able to pursue and achieve strategic alternatives, either with or without the participation of potential investors and other third parties; (2) further downgrades to our ratings; (3) our ability to execute our business plan given our current ratings, possible further downgrades and market conditions; (4) the results of loss mitigation efforts; (5) legislative and regulatory developments within the United States and abroad, including the effect of new pronouncements by accounting authorities; (6) competitive conditions and pricing levels; (7) the level and nature of activity within the national and international credit and other markets; (8) fluctuations in the economic, credit or interest rate environment in the United States or abroad; (9) possible defaults and/or additional ratings downgrades or actions in mortgage-backed securities and (10) 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.