FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
F 212·312·3093

FGIC Enters into Agreement with CDS Counterparties to Mitigate Mark-to-Market Termination Payment Exposure; NYID Modifies Section 1310 Order

March 25, 2010 – New York, NY – Financial Guaranty Insurance Company ("FGIC") today announced that FGIC and its subsidiary, FGIC Credit Products LLC ("Credit Products"), have entered into a commitment and support agreement (the "CSA") with 7 counterparties to credit default swaps with Credit Products ("CDS"), to seek to effectuate, subject to definitive documentation, the transactions described below. The outstanding CDS held by the counterparties have been insured by FGIC (or its UK insurance subsidiary), and the related policies have a net par amount in force of approximately $11.7 billion. If consummated, the transactions contemplated by the CSA would enable FGIC to mitigate its potential existing exposure to material claims based on mark-to-market termination payments under such CDS.

In addition, in connection with FGIC's entering into the CSA and the launch of the Exchange Offer described below, the New York State Insurance Department (the "NYID") has supplemented its order dated November 24, 2009 pursuant to Section 1310 of the New York Insurance Law, which requires FGIC to take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum surplus to policyholders' requirement by not later than March 25, 2010, or such subsequent date as the Superintendent deems appropriate. The Superintendent has extended the date to June 15, 2010.

Under the CSA, the CDS counterparties have agreed to forbear from exercising certain acceleration, termination and assessment rights under their CDS contracts until the earlier of July 31, 2010, or the occurrence of certain specified events. As part of the transactions contemplated by the CSA, FGIC would form a new wholly owned subsidiary licensed as a New York financial guaranty insurance corporation ("Drop Down Company"), and would capitalize Drop Down Company with $75 million.

The CSA provides that, effective upon closing, Drop Down Company would assume all of FGIC's rights, obligations and liabilities under the FGIC policies covering specified CDS, having a net par amount in force of up to approximately $9.5 billion as of December 31, 2009. The CSA contemplates that prior to closing, subject to various conditions, other CDS counterparties may join the agreement and, as a result, FGIC policies held by such counterparties with up to an additional $1 billion net par in force may be assumed by Drop Down Company. FGIC will not have any existing or future liabilities under the policies assumed by Drop Down Company. In consideration for the assumption of the FGIC policies by Drop Down Company, FGIC would pay Drop Down Company an amount equal to (i) 1.5% of the gross par amount in force with respect to such policies as of closing, less (ii) $75 million. The CSA further provides that, effective upon closing, the CDS counterparties would waive all early termination rights existing as of the closing date under all CDS held by them (but not any early termination rights that may arise following the closing with respect to such CDS that are not covered by the FGIC policies assumed by Drop Down Company), and would modify all future early termination rights under the CDS covered by the FGIC policies assumed by Drop Down Company, provided that each CDS counterparty, among other things, would retain the right to terminate the CDS due to the appointment of the Superintendent of the NYID as rehabilitator or liquidator of Drop Down Company or the issuance of an order by the Superintendent to Drop Down Company establishing a moratorium on the payment of claims.

The closing of the transactions contemplated by the CSA is subject to various conditions, including approval by the NYID and the condition that the offer to exchange certain residential mortgage backed securities and asset backed securities insured by FGIC for cash and uninsured securities, which is described in a separate press release issued today (the "Exchange Offer"), is ready to close immediately following the closing of the transactions under the CSA. The closing is expected to take place immediately prior to, or concurrently with, the closing of the Exchange Offer. No assurance can be given that the transactions will be consummated on the terms contemplated or at all.

FGIC has entered into, and may enter into, similar or other consensual transactions with other CDS counterparties to mitigate FGIC's existing or potential exposure to claims based on mark-to-market termination payments or other amounts under FGIC-insured CDS held by such counterparties.

About FGIC

FGIC is a wholly owned subsidiary of FGIC Corporation, an insurance holding company. Please visit www.fgic.com.

Forward-Looking Statements

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 speak only as of the date they are made and are necessarily subject to risks and uncertainties that could cause actual results and performance to differ materially from those expressed or implied by FGIC's forward-looking statements. Among the factors that could cause FGIC's actual results or performance to differ are, without limitation: (1) FGIC's ability to consummate the transactions contemplated by the CSA, to close the Exchange Offer and to successfully achieve the goals of the final surplus restoration plan presented to the NYID, in each case, within the time frame and on the terms required by the NYID or otherwise; (2) FGIC's current negative policyholders' surplus and FGIC's ability to restore and maintain the statutory required minimum policyholders' surplus even if it closes the Exchange Offer and other contemplated restructuring transactions; (3) the extent to which FGIC is able to pursue and achieve other strategic alternatives, either with or without the participation of potential investors and other third parties; (4) the results of other loss mitigation efforts; (5) a decision by the NYID or FGIC's other regulators to take further regulatory action such as rehabilitation or liquidation of FGIC by the NYID at any time due to FGIC's current failure to maintain the statutory required minimum policyholders' surplus or otherwise; (6) legislative and regulatory developments within the United States and abroad, including the effect of new pronouncements by accounting authorities; (7) fluctuations in the economic, credit, interest rate or other environments in the United States or abroad; (8) potential consequences of FGIC's continued suspension of claims payments or FGIC's inability to recommence claims payments such as the risk of defaults under FGIC-insured CDS, FGIC Corporation's and FGIC's revolving credit agreement and FGIC Corporation's senior notes indenture, non-payment of premiums and other amounts owed to FGIC and possible limitations on FGIC's rights under other agreements; (9) higher losses on FGIC-insured obligations due to deterioration in the performance of residential mortgage loans or otherwise; (10) possible defaults and/or additional ratings downgrades or other adverse actions with respect to mortgage-backed securities or other obligations insured by FGIC; (11) the commencement of new litigation or the outcome of current and new litigation; (12) further deterioration in general economic conditions, including as a result of the financial crisis as well as inflation, interest rates, foreign currency exchange rates and other factors and the effects of disruption or economic contraction due to catastrophic events or terrorist acts; and (13) other risks and uncertainties that have not been identified by FGIC at this time. Forward-looking statements are based upon FGIC's current expectations and beliefs concerning future events. FGIC undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.