

QUARTERLY STATEMENT
OF THE
**FINANCIAL GUARANTY INSURANCE
COMPANY**

2014

OF
New York
IN THE STATE OF
New York
TO THE
NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
OF THE
STATE OF New York
AS OF
SEPTEMBER 30, 2014

PROPERTY AND CASUALTY

2014



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2014
OF THE CONDITION AND AFFAIRS OF THE

FINANCIAL GUARANTY INSURANCE COMPANY

NAIC Group Code	<u>0000</u>	<u>0000</u>	NAIC Company Code	<u>12815</u>	Employer's ID Number	<u>13-2710717</u>
	(Current Period)	(Prior Period)				
Organized under the Laws of	<u>New York</u>		State of Domicile or Port of Entry	<u>New York</u>		
Country of Domicile	<u>United States</u>					
Incorporated/Organized	<u>04/10/1972</u>		Commenced Business	<u>07/01/1972</u>		
Statutory Home Office	<u>521 Fifth Avenue</u>		<u>New York, NY, US 10175</u>			
	(Street and Number)		(City or Town, State, Country and Zip Code)			
Main Administrative Office	<u>521 Fifth Avenue</u>		<u>New York, NY, US 10175</u>	<u>212-312-3000</u>		
	(Street and Number)		(City or Town, State, Country and Zip Code)	(Area Code) (Telephone Number)		
Mail Address	<u>521 Fifth Avenue</u>		<u>New York, NY, US 10175</u>			
	(Street and Number or P.O. Box)		(City or Town, State, Country and Zip Code)			
Primary Location of Books and Records	<u>521 Fifth Avenue</u>		<u>New York, NY, US 10175</u>	<u>212-312-3000</u>		
	(Street and Number)		(City or Town, State, Country and Zip Code)	(Area Code) (Telephone Number)		
Internet Web Site Address	<u>http://www.fgic.com</u>					
Statutory Statement Contact	<u>Karen Brenner</u>		<u>212-312-3041</u>			
	(Name)		(Area Code) (Telephone Number) (Extension)			
	<u>karen.brenner@fgic.com</u>		<u>212-312-3084</u>			
	(E-Mail Address)		(Fax Number)			

OFFICERS

Name	Title	Name	Title
<u>Timothy S. Travers</u>	<u>Chief Executive Officer</u>	<u>A. Edward Turi, III</u>	<u>General Counsel</u>
<u>Michael C. Haines</u>	<u>Chief Financial Officer</u>		

OTHER OFFICERS

<u></u>	<u></u>	<u></u>	<u></u>
---------	---------	---------	---------




DIRECTORS OR TRUSTEES

<u>Jamie B. Stewart, Jr., Chairman</u>	<u>Cono R. Fusco</u>	<u>Timothy R. Graham</u>	<u>Edward J. Grzybowski #</u>
<u>Frederick W. Kanner</u>	<u>Paula A. Price</u>	<u>Timothy S. Travers</u>	

State of New York

County of New York

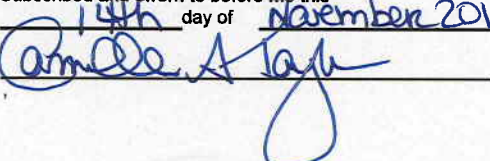
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

		
<u>Timothy S. Travers</u> Chief Executive Officer	<u>A. Edward Turi, III</u> General Counsel	<u>Michael C. Haines</u> Chief Financial Officer

a. Is this an original filing? Yes [X] No []

- b. If no:
1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

Subscribed and sworn to before me this 14th day of November 2014



Camille A. Taylor
Notary Public, State of New York
No. 43-01TA4994058
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires March 30, 2018

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	2,057,410,449	0	2,057,410,449	1,365,097,389
2. Stocks:				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	19,832,299	0	19,832,299	15,217,714
3. Mortgage loans on real estate:				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$0 encumbrances).....	0	0	0	0
4.2 Properties held for the production of income (less \$0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$0 encumbrances).....	0	0	0	0
5. Cash (\$1,470,519), cash equivalents (\$0) and short-term investments (\$323,193,257).....	324,663,776	0	324,663,776	584,838,021
6. Contract loans (including \$0 premium notes).....	0	0	0	0
7. Derivatives	0	0	0	0
8. Other invested assets	0	0	0	0
9. Receivables for securities	18,391	0	18,391	0
10. Securities lending reinvested collateral assets.....	0	0	0	0
11. Aggregate write-ins for invested assets	9,416,231	0	9,416,231	16,520,082
12. Subtotals, cash and invested assets (Lines 1 to 11)	2,411,341,146	0	2,411,341,146	1,981,673,206
13. Title plants less \$0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued	20,312,953	0	20,312,953	15,054,127
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	0	0	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0 earned but unbilled premiums).....	0	0	0	9,579
15.3 Accrued retrospective premiums.....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	131,673	0	131,673	241,783
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
18.2 Net deferred tax asset.....	0	0	0	0
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software.....	122,775	122,775	0	0
21. Furniture and equipment, including health care delivery assets (\$0).....	230,651	230,651	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	976,901	0	976,901	826,573
24. Health care (\$0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other-than-invested assets	107,750,666	568,242	107,182,424	1,479,535
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	2,540,866,765	921,668	2,539,945,097	1,999,284,803
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. Total (Lines 26 and 27)	2,540,866,765	921,668	2,539,945,097	1,999,284,803
DETAILS OF WRITE-INS				
1101. Other Invested Assets.....	9,416,231	0	9,416,231	16,520,082
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	9,416,231	0	9,416,231	16,520,082
2501. Cash Surrender Value of Life Insurance Policies.....	1,249,451	0	1,249,451	1,294,071
2502. Premium Taxes and State Income Tax Refunds.....	180,979	0	180,979	0
2503. Prepaid Expenses.....	568,242	568,242	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	105,751,994	0	105,751,994	185,464
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	107,750,666	568,242	107,182,424	1,479,535

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$0)	1,898,874,638	1,367,388,606
2. Reinsurance payable on paid losses and loss adjustment expenses	0	0
3. Loss adjustment expenses	33,546,817	42,422,492
4. Commissions payable, contingent commissions and other similar charges	0	0
5. Other expenses (excluding taxes, licenses and fees)	7,882,451	8,176,512
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	288,075	342,932
7.1 Current federal and foreign income taxes (including \$0 on realized capital gains (losses))	4,670,745	544,254
7.2 Net deferred tax liability	0	0
8. Borrowed money \$0 and interest thereon \$0	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$3,393,650 and including warranty reserves of \$0 and accrued accident and health experience rating refunds including \$0 for medical loss ratio rebate per the Public Health Service Act)	122,786,553	122,545,759
10. Advance premium	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions)	0	0
13. Funds held by company under reinsurance treaties	0	0
14. Amounts withheld or retained by company for account of others	0	0
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (including \$0 certified)	0	24,286,589
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	0	0
20. Derivatives	0	0
21. Payable for securities	0	0
22. Payable for securities lending	0	0
23. Liability for amounts held under uninsured plans	0	0
24. Capital notes \$0 and interest thereon \$0	0	0
25. Aggregate write-ins for liabilities	405,495,818	367,177,659
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	2,473,545,097	1,932,884,803
27. Protected cell liabilities	0	0
28. Total liabilities (Lines 26 and 27)	2,473,545,097	1,932,884,803
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	15,000,000	15,000,000
31. Preferred capital stock	300,000,000	300,000,000
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes	0	0
34. Gross paid in and contributed surplus	0	0
35. Unassigned funds (surplus)	(248,600,000)	(248,600,000)
36. Less treasury stock, at cost:		
36.1 .....0 shares common (value included in Line 30 \$0)	0	0
36.2 .....0 shares preferred (value included in Line 31 \$0)	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	66,400,000	66,400,000
38. Totals (Page 2, Line 28, Col. 3)	2,539,945,097	1,999,284,803
DETAILS OF WRITE-INS		
2501. Contingency Reserve	405,495,818	367,177,659
2502.	0	0
2503.	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	405,495,818	367,177,659
2901.	0	0
2902.	0	0
2903.	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201.	0	0
3202.	0	0
3203.	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 14,311,855)	21,345,626	147,540,884	181,598,340
1.2 Assumed (written \$ 0)	0	0	0
1.3 Ceded (written \$ 987,576)	1,620,693	81,070,671	85,722,646
1.4 Net (written \$ 13,324,279)	19,724,933	66,470,213	95,875,694
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 0):			
2.1 Direct	(26,778,465)	(2,464,060,245)	(2,337,743,496)
2.2 Assumed	0	0	0
2.3 Ceded	(186,899,622)	137,036,728	129,753,861
2.4 Net	160,121,157	(2,601,096,973)	(2,467,497,357)
3. Loss adjustment expenses incurred	(43,143,175)	30,529,715	39,777,959
4. Other underwriting expenses incurred	21,830,509	43,136,139	50,859,569
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	138,808,491	(2,527,431,119)	(2,376,859,829)
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(119,083,558)	2,593,901,332	2,472,735,523
INVESTMENT INCOME			
9. Net investment income earned	49,434,981	38,382,826	51,809,516
10. Net realized capital gains (losses) less capital gains tax of \$ 0	(1,016,189)	(32,681,794)	(38,282,787)
11. Net investment gain (loss) (Lines 9 + 10)	48,418,792	5,701,032	13,526,729
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)	0	0	0
13. Finance and service charges not included in premiums	0	0	0
14. Aggregate write-ins for miscellaneous income	86,495,142	18,585,821	23,454,593
15. Total other income (Lines 12 through 14)	86,495,142	18,585,821	23,454,593
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	15,830,376	2,618,188,185	2,509,716,845
17. Dividends to policyholders	0	0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	15,830,376	2,618,188,185	2,509,716,845
19. Federal and foreign income taxes incurred	4,860,909	897,876	909,751
20. Net income (Line 18 minus Line 19)(to Line 22)	10,969,467	2,617,290,309	2,508,807,094
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	66,400,000	(2,610,913,104)	(2,610,913,104)
22. Net income (from Line 20)	10,969,467	2,617,290,309	2,508,807,094
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	11,872,351	8,599,365	15,217,715
25. Change in net unrealized foreign exchange capital gain (loss)	(8,413,544)	1,065,233	3,028,266
26. Change in net deferred income tax	0	0	0
27. Change in nonadmitted assets	(396,704)	1,885,499	2,015,791
28. Change in provision for reinsurance	24,286,589	(157,385,589)	(24,286,589)
29. Change in surplus notes	0	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0	0
31. Cumulative effect of changes in accounting principles	0	0	0
32. Capital changes:			
32.1 Paid in	0	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0	0
32.3 Transferred to surplus	0	0	0
33. Surplus adjustments:			
33.1 Paid in	0	(439,879,466)	(439,879,466)
33.2 Transferred to capital (Stock Dividend)	0	0	0
33.3 Transferred from capital	0	439,879,466	439,879,466
34. Net remittances from or (to) Home Office	0	0	0
35. Dividends to stockholders	0	0	0
36. Change in treasury stock	0	0	0
37. Aggregate write-ins for gains and losses in surplus	(38,318,159)	205,858,287	172,530,827
38. Change in surplus as regards policyholders (Lines 22 through 37)	0	2,677,313,104	2,677,313,104
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	66,400,000	66,400,000	66,400,000
DETAILS OF WRITE-INS			
0501.	0	0	0
0502.	0	0	0
0503.	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Other Income	168,037	11,540,081	11,622,107
1402. Salvage and Subrogation Income	86,327,105	7,045,740	11,832,486
1403.	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	86,495,142	18,585,821	23,454,593
3701. Correction to prior year unassigned surplus (deficit)	0	0	(4,113,143)
3702. (Increase) Decrease in Contingency Reserves	(38,318,159)	205,858,287	176,643,970
3703.	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(38,318,159)	205,858,287	172,530,827

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	25,021,272	35,925,374	41,697,933
2. Net investment income	50,687,372	42,897,108	60,963,897
3. Miscellaneous income	86,495,142	18,585,821	23,454,593
4. Total (Lines 1 to 3)	162,203,786	97,408,303	126,116,423
5. Benefit and loss related payments	(400,884,955)	(32,280,815)	54,151,681
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	22,282,491	42,936,669	50,216,723
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses).....	734,418	504,480	508,057
10. Total (Lines 5 through 9)	(377,868,046)	11,160,334	104,876,461
11. Net cash from operations (Line 4 minus Line 10)	540,071,832	86,247,969	21,239,962
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	94,135,513	137,805,523	161,284,460
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	7,103,851	3,462,060	5,850,894
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	39,536	39,536
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	101,239,364	141,307,119	167,174,890
13. Cost of investments acquired (long-term only):			
13.1 Bonds	794,138,507	237,871,605	277,837,765
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	1,012,075	8,648,904	8,357,718
13.7 Total investments acquired (Lines 13.1 to 13.6)	795,150,582	246,520,509	286,195,483
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(693,911,218)	(105,213,390)	(119,020,593)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied).....	(106,334,859)	2,031,085	(2,456,799)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	(106,334,859)	2,031,085	(2,456,799)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(260,174,245)	(16,934,336)	(100,237,430)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	584,838,021	685,075,451	685,075,451
19.2 End of period (Line 18 plus Line 19.1)	324,663,776	668,141,115	584,838,021

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

Organization and Background

Financial Guaranty Insurance Company (the “Company” or “FGIC”), a New York stock insurance corporation, is a wholly owned subsidiary of FGIC Corporation (“FGIC Corp.”), a Delaware corporation. The Company previously issued financial guaranty insurance policies insuring public finance, structured finance and other obligations. The Company is responsible for administering its outstanding policies in accordance with the Rehabilitation Plan (defined below), any NYSDFS Guidelines (defined in “FGIC Rehabilitation Proceeding” below) and applicable law. The Company is no longer engaged in the business of writing new insurance policies. The Company’s primary regulator is the New York State Department of Financial Services (the “NYSDFS”), which assumed the functions and authority of the New York State Insurance Department (the “NYSID”). FGIC UK Limited (“FGIC UK”), a wholly owned United Kingdom insurance subsidiary of FGIC, previously issued financial guaranties covering public finance, structured finance and other obligations. FGIC UK, whose primary regulator is the UK Prudential Regulation Authority, is responsible for administering its outstanding guaranties in accordance with the terms and conditions of such guaranties and applicable law. FGIC UK is no longer engaged in the business of writing new financial guaranties.

Based on FGIC’s reported statutory surplus deficit as of September 30, 2009, on November 24, 2009, the NYSID issued an order pursuant to Section 1310 of the New York Insurance Law (the “NYIL”) requiring FGIC, effective that day, to suspend paying any and all claims, to cease writing any new policies and to operate only in the ordinary course of business and as necessary to effectuate its plan to eliminate its policyholders’ surplus deficit (the “1310 Order”). FGIC developed a comprehensive surplus restoration plan that it submitted to the NYSID, but ultimately FGIC was unable to implement that plan. By petition of the Superintendent of Financial Services of the State of New York (the “Superintendent”) based on FGIC’s statutory insolvency and its inability to eliminate its policyholders’ surplus deficit, the Supreme Court of the State of New York (the “Rehabilitation Court”), on June 28, 2012, issued an order pursuant to Article 74 of the NYIL (“Article 74”) placing FGIC in rehabilitation (the “Rehabilitation Order”). On June 11, 2013, the Rehabilitation Court approved the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013, together with all exhibits and the plan supplement thereto (as the same may be amended from time to time, collectively, the “Rehabilitation Plan”). The Rehabilitation Plan became effective on August 19, 2013 (the “Effective Date”), whereupon FGIC’s rehabilitation proceeding terminated, the 1310 Order was lifted and FGIC resumed possession of its property and conduct of its business subject to the limitations described in the Rehabilitation Plan below.

FGIC Corp. commenced a proceeding under Chapter 11 of the United States Bankruptcy Code on August 3, 2010, and FGIC Corp. emerged from that proceeding on April 19, 2013 (the “Chapter 11 Effective Date”). On the Chapter 11 Effective Date, the transactions contemplated under the Plan of Reorganization for FGIC Corp. were consummated. None of the subsidiaries or affiliates of FGIC Corp., including FGIC, was a debtor in FGIC Corp.’s Chapter 11 case.

FGIC Rehabilitation Proceeding

On June 28, 2012, the Rehabilitation Court issued the Rehabilitation Order (i) appointing the Superintendent as rehabilitator of FGIC (the “Rehabilitator”), (ii) directing the Rehabilitator to take possession of the property and assets of FGIC and to conduct the business thereof, and (iii) directing the Rehabilitator to take steps towards the removal of the causes and conditions that made FGIC’s rehabilitation proceeding (the “Rehabilitation Proceeding”) necessary. FGIC consented to the commencement of the Rehabilitation Proceeding and, upon such commencement, the board of directors of FGIC resigned. The Rehabilitation Proceeding was styled as *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012.

Subsequent to the Rehabilitation Order, and as part of the Rehabilitation Proceeding, the Rehabilitator developed the Rehabilitation Plan. The goal of the Rehabilitation Plan is to treat FGIC’s policyholders in a fair and equitable manner while at the same time removing the causes and conditions that made the Rehabilitation Proceeding necessary.

On June 11, 2013, the Rehabilitation Court issued an order pursuant to Article 74, among other things, (i) approving the Rehabilitation Plan and authorizing its implementation, (ii) approving the forms of amended and restated charter and amended and restated by-laws for FGIC filed as part of the Rehabilitation Plan, which constitute the charter and by-laws for FGIC as of the Effective Date, (iii) approving the Novation Agreement (defined below) and the consummation of the transactions contemplated thereby, (iv) approving an initial cash payment percentage (“CPP”) of 17.25% subject to adjustment by the Rehabilitator in his sole discretion on or before the Effective Date (by notice dated on the Effective Date, the Rehabilitator set the initial CPP at 17.00%), (v) terminating the Rehabilitation Proceeding on the Effective Date without further order of the Rehabilitation Court, and (vi) providing that on the Effective Date, FGIC shall resume possession of its property and conduct of its business subject to the limitations described in the Rehabilitation Plan.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

On the Effective Date, FGIC emerged from the Rehabilitation Proceeding as a solvent insurance company under the NYIL with its policies restructured in a manner intended to ensure it remains solvent and the Rehabilitation Plan became the exclusive means for resolving and paying (i) all policy claims, whenever arising, (ii) all other claims arising during, or relating to, the period prior to the Effective Date and (iii) all equity interests in FGIC in existence as of the date of the Rehabilitation Order (June 28, 2012), in each case other than claims (including policy claims) paid in full by FGIC prior to the date of the Rehabilitation Order. Claims arising during or relating to the period on and after the Effective Date (other than policy claims) are not covered by the Rehabilitation Plan and will be resolved and paid by FGIC in the ordinary course of business. FGIC continues to be subject to oversight by the NYSDFS pursuant to the NYIL and the additional requirements set forth in the Rehabilitation Plan (including any guidelines the NYSDFS has or may issue to carry out the purposes and effects of the Rehabilitation Plan (“NYSDFS Guidelines”)).

As of the Effective Date, any and all policies in force as of the Effective Date (except for the policies novated by the Novation Agreement (defined below)) were automatically modified by the Rehabilitation Plan. The Rehabilitation Plan, including the restructured policy terms attached to the Rehabilitation Plan as Exhibit B (the “Restructured Policy Terms”), supersedes any and all provisions of each policy that are inconsistent with the Rehabilitation Plan. FGIC is responsible for administering, reviewing, verifying, reconciling, objecting to, compromising or otherwise resolving all claims (including policy claims) not resolved prior to the Effective Date, in each case in compliance with the Rehabilitation Plan and any applicable NYSDFS Guidelines.

With respect to any policy claim permitted by FGIC, pursuant to the Rehabilitation Plan and the applicable policy (as modified by the Rehabilitation Plan), FGIC is obligated to pay in cash to the applicable policy payee only an upfront amount equal to the product of the then-existing CPP and the amount of such permitted policy claim (subject to any setoff rights FGIC may have). The portion of such permitted policy claim not paid or deemed to be paid by FGIC generally comprises a deferred payment obligation (“DPO”) with respect to the applicable policy. The DPO with respect to any policy generally represents the aggregate amount of all permitted policy claims under such policy minus the aggregate amount paid, or deemed to be paid, in cash by FGIC with respect to such policy (other than DPO Accretion, defined below) from and after the Effective Date, subject to further adjustments as provided in the Rehabilitation Plan. From and after the Effective Date, each policy with an outstanding DPO accrues an amount (“DPO Accretion”) based on such DPO (using the balance then applicable pursuant to the Rehabilitation Plan) at a rate of 3% per annum on a daily basis on the basis of a 365-day year. All DPO Accretion is calculated on a simple basis, and no DPO Accretion is added to the amount of any DPO. The DPO for any policy and any related DPO Accretion shall only be payable by FGIC when, if and to the extent provided in the Restructured Policy Terms and the Rehabilitation Plan. In the absence of an upward adjustment of the CPP, FGIC shall have no obligation to pay any portion of any DPO or DPO Accretion.

In January 2014, FGIC commenced payments to policyholders for permitted policy claims under the Rehabilitation Plan at the initial CPP OF 17.00%.

FGIC is required to re-evaluate the CPP (at least annually) pursuant to the procedures set forth in the Restructured Policy Terms to determine whether the CPP should remain the same or be adjusted upward or downward (each, a “CPP Revaluation”). All CPP Revaluations require review and approval by the board of directors of FGIC, and any change in the CPP (among other things) shall require the approval of the NYSDFS. In connection with its 2014 annual CPP Revaluation, FGIC submitted a CPP Revaluation filing with the NYSDFS prior to June 30, 2014 as required by the Restructured Policy Terms. On October 24, 2014, the NYSDFS approved an upward adjustment to the CPP to 21.00% (the “2014 CPP Upward Adjustment”). The 2014 CPP Upward Adjustment took effect on October 24, 2014. FGIC made the cash payments that it determined were required under the Restructured Policy Terms with respect to outstanding DPO and related DPO Accretion (subject to any applicable setoffs and other adjustments) in connection with the 2014 CPP Upward Adjustment on November 7, 2014.

The percentage of permitted policy claims that FGIC ultimately pays in cash in accordance with the Rehabilitation Plan, and the timing of any such payments, are subject to various factors and the outcome of future events, including the performance of FGIC’s insured and investment portfolios and the results of FGIC’s litigation and other loss mitigation efforts, and no assurance can be given with respect to the amount of any such percentage or the timing of any such payments. Based on the magnitude of FGIC’s accrued and projected policy claims, while the CPP may increase over time, FGIC expects to make payments in cash pursuant to the Rehabilitation Plan of only a fractional portion of its permitted policy claims and it does not expect to make any payments pursuant to the Rehabilitation Plan with respect to non-policy claims or equity interests.

As part of the Rehabilitation Plan, FGIC entered into a Novation Agreement dated as of September 14, 2012 (the “Novation Agreement”) with National Public Finance Guarantee Corporation (“National Public”), pursuant to which the parties agreed to novate from FGIC to National Public certain FGIC policies covering U.S. public finance credits with total net par in force of approximately \$92.6 billion as of the Effective Date, which previously had been reinsured by National Public (collectively, the “National Public Reinsured Policies”). The novation of the

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

National Public Reinsured Policies and the other transactions contemplated by the Novation Agreement became effective on the Effective Date, whereupon (i) National Public rather than FGIC) became the issuer of the National Public Reinsured Policies and became directly responsible for all obligations under the National Public Reinsured Policies and (ii) FGIC was released from all obligations under the National Public Reinsured Policies.

References to and descriptions of provisions of the Restructured Policy Terms, the Rehabilitation Plan (and related agreements) and orders of the Rehabilitation Court included in these financial statements are merely summaries thereof, and do not contain all information necessary to fully understand such provisions and orders. Please refer to the specific terms, requirements and conditions of the Restructured Policy Terms, the Rehabilitation Plan (and related agreements) and orders of the Rehabilitation Court for a full understanding thereof, which in all cases shall govern, rather than any summary description contained in these financial statements.

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Company have been prepared in conformity with statutory accounting practices prescribed or permitted by the NYSDFS as well as those accounting practices detailed in NYSDFS Guidelines (“SAP”). The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates, and those differences could be material. Operating results for the nine months ended September 30, 2014 are not necessarily indicative of results that may be expected for the year ending December 31, 2014. The September 30, 2014 quarterly statement should be read in conjunction with FGIC’s 2013 Annual Statement, including the notes therein.

Certain 2013 amounts in the September 30, 2014 quarterly statement have been reclassified to conform to the current presentation.

Note 2 - Accounting Changes and Corrections of Errors

The Company’s January 1, 2013 surplus balance has been reduced by \$4.1 million to reflect the correction of an error in prior reporting periods in the recording of impairments on loan-backed securities. These securities were impaired in earlier years, but the recovery of a portion of the impairment was erroneously recorded in prior years. The Company’s surplus at September 30, 2013 has been increased by the same amount to maintain the Minimum Surplus Amount.

Note 3 - Business Combinations and Goodwill

None

Note 4 - Discontinued Operations

None

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

Note 5 – Investments

The amortized cost and fair value of admitted investments in bonds, other invested assets and short-term investments are as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
<i>(In Thousands)</i>				
September 30, 2014				
Obligations of states and political subdivisions	\$ 780,218	\$ 59,367	\$ –	\$ 839,585
Asset- and mortgage-backed securities	561,769	18,432	–	580,201
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	94,967	7,590	–	102,557
Debt securities issued by foreign governments	23,170	399	–	23,569
Corporate	597,287	12,155	–	609,442
Total bonds	2,057,411	97,943	–	2,155,354
Other invested assets	9,416	43,939	–	53,355
Short-term investments	323,193	–	–	323,193
Total	\$ 2,390,020	\$ 141,882	\$ –	\$ 2,531,902

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
<i>(In Thousands)</i>				
December 31, 2013				
Obligations of states and political subdivisions	\$ 745,959	\$ 25,923	\$ –	\$ 771,882
Asset- and mortgage-backed securities	363,495	11,803	–	375,298
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	38,370	5,424	–	43,794
Debt securities issued by foreign governments	23,524	34	–	23,558
Corporate	193,749	5,434	–	199,183
Total bonds	1,365,097	48,618	–	1,413,715
Other invested assets	16,520	47,896	–	64,416
Short-term investments	566,540	–	–	566,540
Total	\$ 1,948,157	\$ 96,514	\$ –	\$ 2,044,671

The Company has determined either that it does not intend to hold certain fixed income securities until their fair value exceeds their amortized cost or that it intends to sell, or it is more likely than not that the Company will be required to sell, certain fixed income securities before recovery of their amortized cost basis. The Company has recorded OTTI of \$0.7 million and \$1.0 million, and \$4.6 million and \$33.5 million on its fixed income securities for the three and nine months ended September 30, 2014 and 2013, respectively. OTTI is included in “Net realized capital gains or losses net of tax” in the statement of income and represents the difference between the amortized cost bases of these securities and their fair values at the balance sheet date.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

The amortized cost and fair value of investments in bonds at September 30, 2014, by contractual maturity date, are shown below. As asset and mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities, they are shown separately. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
<i>(In Thousands)</i>		
Due in one year	\$ 22,837	\$ 23,014
Due after one through five years	239,943	250,751
Due after five years through ten years	707,548	722,689
Due after ten years	525,314	578,699
Asset- and mortgage-backed securities	561,769	580,201
Total	\$ 2,057,411	\$ 2,155,354

Net investment income was derived from the following sources:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2014	2013	2014	2013
<i>(In Thousands)</i>				
Income from bonds	\$ 18,722	\$ 13,670	\$ 50,408	\$ 39,441
Income from cash, cash equivalents and short-term investments	523	526	634	651
Total investment income	19,245	14,196	51,042	40,092
Investment expenses	(604)	(541)	(1,607)	(1,709)
Net investment income	\$ 18,641	\$ 13,655	\$ 49,435	\$ 38,383

For the three and nine months ended September 30, 2014, proceeds from sales of investments in bonds carried at amortized cost were \$0.0 million and \$0.5 million, respectively. For the three and nine months ended September 30, 2014, there were no realized gains or losses from such sales. For the three and nine months ended September 30, 2013, proceeds from sales of investments in bonds carried at amortized cost were \$0.0 million and \$30.1 million, respectively. For the three and nine months ended September 30, 2013, gross realized gains of \$0.1 million and \$0.8 million, respectively, were realized on such sales. For the three and nine months ended September 30, 2013, no gross realized losses were realized on such sales.

Investments in cash, short-term investments and bonds carried at amortized cost of \$23.8 million and \$25.3 million as of September 30, 2014 and December 31, 2013, respectively, were on deposit with various regulatory authorities.

The carrying values of the Company's investment in the equity of subsidiaries were \$19.8 million and \$15.2 million as of September 30, 2014 and December 31, 2013, respectively. Included in the change in net unrealized gains or losses for the three and nine months ended September 30, 2014 were gains of \$2.0 million and \$11.9 million, respectively, related to the change in carrying values of the Company's investments in subsidiaries, exclusive of foreign exchange gains or losses.

Included in other income is \$0.0 million and \$58.8 million for the three and nine months ended September 30, 2014, respectively, for realized gains from the sale of a portion of the units held in the ResCap Liquidating Trust. There were no realized gains from the sale of units held in the ResCap Liquidating Trust for the three and nine months ended September 30, 2013.

D. Loan-Backed Securities:

- (1) Prepayment assumptions for mortgage-backed/loan-backed and structured securities are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

(2) The following summarizes those securities held at September 30, 2014 for which OTTI was recorded during the nine months ended September 30, 2014:

	Amortized Cost Basis Before OTTI	OTTI	Fair Value
<i>(In Thousands)</i>			
OTTI recognized 1 st Quarter			
a. Intent to sell	\$ 31,487	\$ 146	\$ 31,341
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
c. Total 1 st Quarter	\$ 31,487	\$ 146	\$ 31,341
OTTI recognized 2 nd Quarter			
d. Intent to sell	\$ -	\$ -	\$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
f. Total 2 nd Quarter	\$ -	\$ -	\$ -
OTTI recognized 3 rd Quarter			
g. Intent to sell	\$ 38,832	\$ 64	\$ 38,768
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
i. Total 3 rd Quarter	\$ 38,832	\$ 64	\$ 38,768
m. Annual Aggregate Total	\$ 70,319	\$ 210	\$ 70,109

(3)

(In Thousands)

CUSIP	Book/ Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at time of OTTI	Date of Financial Statement Where Reported
3138EL5L3	\$ 6,810	\$6,778	\$ 32	\$ 6,778	\$ 6,778	March 31, 2014
3132GMAT9	3,132	3,115	17	3,115	3,115	March 31, 2014
3138ELVR1	4,555	4,520	35	4,520	4,520	March 31, 2014
3128MJSY7	5,456	5,436	20	5,436	5,436	March 31, 2014
31292SAD2	4,436	4,417	19	4,417	4,417	March 31, 2014
3128MJT26	1,600	1,594	6	1,594	1,594	March 31, 2014
3128MJS68	5,498	5,481	17	5,481	5,481	March 31, 2014
31417C5E1	4,964	4,955	9	4,955	4,955	Sept 30, 2014
31416RQU0	13,032	13,015	17	13,015	13,015	Sept 30, 2014
3138W9ME7	4,539	4,526	13	4,526	4,526	Sept 30, 2014
3128M8U85	8,789	8,781	8	8,781	8,781	Sept 30, 2014
3132HLNE9	2,868	2,861	7	2,861	2,861	Sept 30, 2014
3138EDFB2	3,145	3,139	6	3,139	3,139	Sept 30, 2014
3138MN4M9	1,495	1,491	4	1,491	1,491	Sept 30, 2014
Total	XXX	XXX	\$ 210	XXX	XXX	XXX

(4) There were no impaired securities for which an OTTI has not been recognized in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains) for the nine months ended September 30, 2014.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

(3)b. There were no repurchase agreements or Securities Lending Transactions during the nine months ended September 30, 2014.

Note 6 -Joint Ventures, Partnerships and Limited Liability Companies

None

Note 7 -Investment Income

None

Note 8 - Derivative Instruments

None

Note 9 - Income Taxes

The Company files a consolidated U.S. federal income tax return with FGIC Corp. The method of allocation between FGIC Corp. and FGIC is determined under an amended and restated income tax allocation agreement approved by the NYSDFS, and is based upon separate return calculations.

The Internal Revenue Service approved a change in accounting method (“CAM”) for the computation of tax basis loss reserves as of January 1, 2013. The CAM was requested to align the Company’s tax basis loss reserves with the Internal Revenue Code by recognizing only those loss reserves in “payment mode,” defined as those policies for which an event of default has already occurred under the terms of the insurance contract. Under SAP, there has been no change in the Company’s method of calculating the Claims Reserve related to “payment mode” recognition.

The following is a reconciliation of current federal income taxes computed on loss before provision for federal and foreign income taxes at the statutory rate and the provision for current federal income taxes.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Income tax expense at the statutory rate, computed on income before provision for federal and foreign income taxes	\$ 2,014	\$ 1,240,191	\$ 5,541	\$ 916,366
Tax effect of:				
Tax-exempt interest	(2,317)	(2,241)	(6,829)	(6,443)
NOL adjustment for FGIC Corp.’s cancellation of debt	–	(16,392)	–	72,171
NOL carryforward adjustment	(1,846)	–	(1,846)	–
Change in valuation allowance	7,072	(1,222,446)	7,981	(982,830)
Other, net	(384)	1,693	14	1,634
Federal and foreign income taxes	\$ 4,539	\$ 805	\$ 4,861	\$ 898

The composition of total tax expense for the three and nine months ended September 30, 2014 and 2013 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Current:				
Federal	\$ 4,581	\$ –	\$ 4,581	\$ –
Foreign	(42)	805	280	898
Federal and foreign income taxes	\$ 4,539	\$ 805	\$ 4,861	\$ 898

There was no change in net deferred income taxes, inclusive of non-admitted assets, for the nine months ended September 30, 2014 and 2013.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

As of September 30, 2014, the Company had a domestic net operating loss (“NOL”) carryforward of \$3,363.6 million for federal income tax purposes, which will be available (subject to certain limitations, including the limitations discussed below) to offset future taxable income. If not used, the NOL will start expiring in 2029 through 2032 depending on the originating year. As of September 30, 2014, the Company had an alternative minimum tax (“AMT”) credit carryforward of \$4.6 million for federal income tax purposes, which will be available to offset future regular tax. AMT credit carryforwards do not expire.

FGIC’s ability to utilize its NOLs could be limited after an “ownership change” under Section 382 of the Internal Revenue Code (“Section 382”). Section 382 limits the ability of a corporation that experiences an ownership change to utilize its NOLs and certain built-in losses after the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of a corporation’s stock over a rolling 3-year period. Generally under Section 382, upon an ownership change, the amount of taxable income that a corporation can offset by its “pre-change losses” (which include its NOLs) is restricted to an annual amount equal to the equity value of the corporation immediately prior to the ownership change multiplied by the long-term tax-exempt rate.

Notwithstanding Section 382’s restriction on a corporation’s use of NOLs, Section 382 provides significant relief to a corporation if an ownership change occurs in the context of a Chapter 11 case. Specifically, section 382(l)(5) of the Internal Revenue Code provides that a corporation under the jurisdiction of a court in a Chapter 11 case is not subject to the general limitations imposed by Section 382 if historic stockholders and/or the corporation’s “qualified creditors” own at least 50% of the total value and voting power of the corporation’s stock after the ownership change occurs (the “Section 382(l)(5) Exception”). The ownership change of FGIC Corp. and FGIC that occurred on the Chapter 11 Effective Date when the then existing equity in FGIC Corp. was cancelled and creditors of FGIC Corp. acquired the new equity of reorganized FGIC Corp., as well as the possession of the property and assets of FGIC by the Rehabilitator during the Rehabilitation Proceeding, qualified for the Section 382(l)(5) Exception.

The amount of federal income taxes incurred and available for recoupment in the event of future losses is \$0.

In accordance with SSAP 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (“SSAP 101”), the Company evaluates its deferred income tax asset to determine if valuation allowances are required. SSAP 101 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a “more likely than not” standard. In making such judgments, significant weight is given to evidence that can be objectively verified. Management believes it is more likely than not that the amortization of the net unearned premium reserve, collection of future installment premiums on contracts already written, and income from the investment portfolio will not generate sufficient taxable income to realize the entire deferred tax asset that currently exists. Accordingly, a full valuation allowance was established against the Company’s domestic net deferred tax asset of \$732.7 million as of September 30, 2014. The Company will continue to analyze the need for a valuation allowance on a quarterly basis.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

A. The components of the net deferred tax asset/(liability) at September 30 are as follows:

1.

September 30, 2014			
<i>(In Thousands)</i>			
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$1,282,961	\$ 24,556	\$1,307,517
(b) Statutory Valuation Allowance Adjustments	\$ 709,113	\$ 23,598	\$ 732,711
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$573,848	\$ 958	\$574,806
(d) Deferred Tax Assets Nonadmitted	\$ -	\$ -	\$ -
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$573,848	\$ 958	\$574,806
(f) Deferred Tax Liabilities	\$573,848	\$ 958	\$574,806
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ -	\$ -	\$ -

December 31, 2013			
<i>(In Thousands)</i>			
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$885,174	\$ 24,141	\$909,315
(b) Statutory Valuation Allowance Adjustments	\$ 701,953	\$ 22,777	\$ 724,730
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$183,221	\$ 1,364	\$184,585
(d) Deferred Tax Assets Nonadmitted	\$ -	\$ -	\$ -
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$183,221	\$ 1,364	\$184,585
(f) Deferred Tax Liabilities	\$183,221	\$ 1,364	\$184,585
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ -	\$ -	\$ -

Change			
<i>(In Thousands)</i>			
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$397,787	\$ 415	\$398,202
(b) Statutory Valuation Allowance Adjustments	\$ 7,160	\$ 821	\$7,981
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$390,627	\$ (406)	\$390,221
(d) Deferred Tax Assets Nonadmitted	\$ -	\$ -	\$ -
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$390,627	\$ (406)	\$390,221
(f) Deferred Tax Liabilities	\$390,627	\$ (406)	\$390,221
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ -	\$ -	\$ -

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

C. Current income taxes incurred consist of the following major components:

1. Current Income Tax

	Sept 30, 2014	December 31, 2013 <i>(In Thousands)</i>	Change
(a) Federal	\$ 4,581	\$ -	\$ 4,581
(b) Foreign	\$ 280	\$ 910	\$ (630)
(c) Subtotal	\$ 4,861	\$ 910	\$ 3,951
(d) Federal income tax on net capital gains	\$ -	\$ -	\$ -
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ 4,861	\$ 910	\$ 3,951

2. Deferred Tax Assets:

	September 30, 2014	December 31, 2013 <i>(In Thousands)</i>	Change
(a) Ordinary			
(1) Discounting of unpaid losses	\$ -	\$ -	\$ -
(2) Unearned premium reserve	\$ 4,306	\$ 4,289	\$ 17
(3) Policyholder reserves	\$ -	\$ -	\$ -
(4) Investments	\$ -	\$ -	\$ -
(5) Deferred acquisition costs	\$ -	\$ -	\$ -
(6) Policyholder dividends accrual	\$ -	\$ -	\$ -
(7) Fixed assets	\$ 2,481	\$ 2,506	\$ (25)
(8) Compensation and benefits accrual	\$ 1,093	\$ 1,759	\$ (666)
(9) Pension accrual	\$ -	\$ -	\$ -
(10) Receivables -nonadmitted	\$ -	\$ -	\$ -
(11) Net operating loss carry-forward	\$ 1,177,249	\$ 684,165	\$ 493,084
(12) Tax credit carry-forward	\$ -	\$ -	\$ -
(13) Other (including items <5% of total ordinary tax assets)	\$ 97,832	\$ 192,455	\$ (94,807)
(99) Subtotal	\$ 1,282,961	\$ 885,174	\$ 397,787
(b) Statutory valuation allowance adjustment	\$ 709,113	\$ 701,953	\$ 7,160
(c) Nonadmitted	\$ -	\$ -	\$ -
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 573,848	\$ 183,221	\$ 390,627
(e) Capital:			
(1) Investments	\$ 24,554	\$ 24,141	\$ 413
(2) Net capital loss carry-forward	\$ 2	\$ -	\$ 2
(3) Real estate	\$ -	\$ -	\$ -
(4) Other (including items <5% of total capital tax assets)	\$ -	\$ -	\$ -
(99) Subtotal	\$ 24,556	\$ 24,141	\$ 415
(f) Statutory valuation allowance adjustment	\$ 23,598	\$ 22,777	\$ 821
(g) Nonadmitted	\$ -	\$ -	\$ -
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 958	\$ 1,364	\$ (406)
(i) Admitted deferred tax assets (2d + 2h)	\$ 574,806	\$ 184,585	\$ 390,221

3. Deferred Tax Liabilities:

	September 30, 2014	December 31, 2013 <i>(In Thousands)</i>	Change
(a) Ordinary			
(1) Investments	\$ 1,659	\$ 1,705	\$ (46)
(2) Fixed assets	\$ -	\$ -	\$ -
(3) Deferred and uncollected premium	\$ -	\$ -	\$ -
(4) Policyholder reserves	\$ 436,052	\$ -	\$ 436,052
(5) Other (including items <5% of total ordinary tax liabilities)	\$ 136,137	\$ 181,516	\$ (45,379)
(99) Subtotal	\$ 573,848	\$ 183,221	\$ 390,627
(b) Capital:			
(1) Investments	\$ 115	\$ 115	\$ -
(2) Real estate	\$ -	\$ -	\$ -
(3) Other (including items <5% of total capital tax liabilities)	\$ 843	\$ 1,249	\$ (406)
(99) Subtotal	\$ 958	\$ 1,364	\$ (406)
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 574,806	\$ 184,585	\$ 390,221

4. Net deferred tax assets/liabilities (2i - 3c)

	\$ -	\$ -	\$ -
--	------	------	------

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

No significant changes from 2013 Notes to Financial Statements

Note 11- Debt

None

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans.

No significant changes from 2013 Notes to Financial Statements except effective April 1, 2014, the Company adopted the 2014 Long-Term Incentive Plan, a non-qualified, unfunded deferred compensation plan for certain employees. Benefits under the plan vest 100% on December 31, 2016 (or earlier under certain conditions) and the payment of benefits to participants will occur in 2017 and 2018 if vesting is not accelerated. For the three and nine months ended September 30, 2014, the accrued benefits under the plan were \$0.2 million and \$0.5 million, respectively.

(6) None

Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

No significant changes from 2013 Notes to Financial Statements

Note 14 – Contingencies

By joint stipulation of the parties, in October 2014, *City of Phoenix v. Ambac Financial Group, Inc., et al.* (United States District Court, District of Arizona, filed on or about March 11, 2010), in which FGIC was named as a defendant, was dismissed with prejudice. FGIC may be involved from time to time in various legal proceedings filed against it. In addition, FGIC has received, and may in the future receive, various subpoenas, regulatory inquiries, requests for information and document preservation letters. Defending against legal proceedings and responding to subpoenas, regulatory inquiries, requests for information and document preservation letters may involve significant expense and diversion of management's attention and other FGIC resources.

FGIC has asserted, and from time to time may assert, claims in legal or arbitration proceedings against third parties to recover losses already incurred by FGIC or to mitigate future losses that FGIC may incur, including the lawsuits described below. The amount of losses that FGIC may recover or mitigate as a result of these proceedings is uncertain, although, in the event of favorable outcomes or settlements, such amount could be material to FGIC's results of operations, financial position, profitability or cash flows.

In *Financial Guaranty Insurance Company v. The Putnam Advisory Company, LLC* (U.S. District Court for the Southern District of New York, filed October 1, 2012 and thereafter amended on November 19, 2012), FGIC sued The Putnam Advisory Company ("Putnam"), alleging fraud, negligent misrepresentation and negligence by Putnam in connection with the Pyxis ABS CDO 2006-1 transaction for which Putnam acted as collateral manager. On September 10, 2013, FGIC's complaint was dismissed, with leave to file a further amended complaint. On September 30, 2013, FGIC filed a further amended complaint. On April 28, 2014, the court granted Putnam's motion to dismiss all of FGIC's claims. FGIC has appealed this ruling and oral arguments for this appeal are scheduled for November 17, 2014, before the United States Court of Appeals for the Second Circuit.

In *Financial Guaranty Insurance Co. v. Credit Suisse Securities (USA) LLC, et al.* (N.Y. Sup.Ct., Index No. 651178/2013, filed on April 2, 2013), FGIC sued Credit Suisse Securities (USA) LLC ("CS Securities") and DLJ Mortgage Capital, Inc. ("DLJ"), alleging, inter alia, that (i) CS Securities and DLJ fraudulently induced FGIC to insure the RMBS transaction known as Home Equity Mortgage Trust 2006-2 and (ii) DLJ breached various representations, warranties and affirmative covenants, including its obligation to repurchase breaching or fraudulent mortgage loans and to reimburse FGIC for payments made under the related FGIC policy. On June 11,

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

2013, CS Securities and DLJ filed a motion to dismiss FGIC’s claims, and this motion was fully briefed. On December 24, 2013, the court requested supplemental briefing with respect to the effect of the decision of the Appellate Division in *ACE Securities Corp. v. DB Structured Products, Inc.*, 2013 NY App. Div. LEXIS 8429 (1st Dept. Dec. 19, 2013). The motion to dismiss was argued on February 26, 2014.

In *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. and Morgan Stanley Mortgage Capital Holdings LLC*, (N.Y. Sup.Ct., Index No. 652853/2014, filed on September 19, 2014), FGIC sued Morgan Stanley ABS Capital I Inc. (“MSAC”) and Morgan Stanley Mortgage Capital Holdings LLC (“MSMC”), alleging, *inter alia*, that MSAC and MSMC breached various warranties and affirmative covenants in connection with the securitization transaction known as Basket of Aggregated Residential NIMS 2007-1, including their obligations to repurchase breaching net interest margin securities that collateralized the insured securities, and to reimburse FGIC for payments made under the related FGIC policy.

In *Financial Guaranty Insurance Company v. Morgan Stanley, et al.*, (N.Y. Sup.Ct., Index No. 652914/2014, filed on September 23, 2014), FGIC sued MSAC, MSMC, Morgan Stanley (“MS”) and Morgan Stanley & Co. LLC (collectively, “Morgan Stanley”), and Saxon Mortgage Services, Inc. (“Saxon”), alleging, *inter alia*, that (i) Morgan Stanley fraudulently induced FGIC to insure the RMBS transaction known as MSAC 2007-NC4; (ii) MSAC, MSMC and MS breached various warranties and affirmative covenants, including their obligations to repurchase breaching or fraudulent mortgage loans and to reimburse FGIC for payments made under the related FGIC policy; and (iii) Saxon and MS breached their warranties and obligations under the Pooling and Servicing Agreement for the MSAC 2007-NC4 transaction, including their obligation to provide notice of breaching mortgage loans.

In *City of Detroit v. Detroit General Retirement System Service Corporation, et al.* (Bankr. E.D. Mich., Adversary No. 14-04112, filed on January 31, 2014), which is an adversary proceeding in the City of Detroit’s bankruptcy case, *In re City of Detroit, Mich.* (Bankr. E.D. Mich., Case No. 13-53846, filed on July 18, 2013), the City sued Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005, and Detroit Retirement Systems Funding Trust 2006 in connection with two transactions through which the COPs were issued. Arguing that certain contracts effectuating the underlying transactions are illegal and void, the City seeks declaratory relief against the defendants and an injunction enjoining the defendants from taking any act that would require the City to make payments or distributions to repay the COPs. This litigation will be settled and dismissed as part of the FGIC-Detroit Settlement upon, and subject to, such settlement becoming effective (see note 25).

Note 15 –Leases

Effective July 1, 2014, the Company entered into a sublease for new office space in New York. The sublease includes monthly fixed-rent payments beginning January 1, 2015, with an escalation beginning July 1, 2019. The sublease terminates June 29, 2026.

As of June 30, 2014, future minimum sublease payments are as follows:

Year ended September 30,	<i>(In thousands)</i>
2015	\$ 579
2016	772
2017	772
2018	772
2019	785
2020 and thereafter	5,563
Total	<u>\$ 9,243</u>

**Note 16 - Information About Financial Instruments With
Off-Balance-Sheet Risk And Financial Instruments With
Concentrations of Credit Risk**

No significant changes from 2013 Notes to Financial Statements

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

**Note 17 - Sale, Transfer and Servicing of Financial Assets and
Extinguishments of Liabilities**

B(2)b; B(4)a,b. There were no transferring and servicing of assets and liabilities during the nine months ended September 30, 2014

C. There were no securities with NAIC designation 3 or below, or unrated which were sold during the nine months ended September 30, 2014 and reacquired within 30 days of the sale date.

**Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plan
and the Uninsured Portion of Partially Insured Plans**

None

**Note 19 - Direct Premium Written/Produced by Managing General
Agents/Third Party Administrators**

None

Note 20 -Fair Value Measurements

SSAP 100 specifies a fair value hierarchy based on whether the inputs to valuation techniques used to measure fair value are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about market participants' assumptions based on the best information available in the circumstances. The fair value hierarchy prioritizes model inputs into three broad levels: quoted prices for identical instruments in active markets are Level 1 inputs; quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 inputs; and model-driven valuations in which one or more significant inputs or significant value drivers are unobservable are Level 3 inputs

The Company did not report any securities at fair value on the balance sheets as of September 30, 2014 and December 31, 2013.

Transfers among Levels 1, 2 and 3 are recognized at the end of the period when the transfer occurs. The Company reviews the classification of financial instruments in Levels 1, 2 and 3 quarterly to determine whether a transfer is necessary.

The fair values of admitted investments in bonds, other invested assets and short-term investments by level are as follows:

A.

(1) Fair Value Measurements at September 30, 2014 *(In Thousands)*

<u>Description for each class of asset or liability</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
a. Assets at fair value				
Obligations of states and political subdivisions	\$ -	\$ 839,585	\$ -	\$ 839,585
Asset and Mortgage Backed Securities	\$ -	\$ 580,201	\$ -	\$ 580,201
US Treasury Obligations and obligations of US Government corporations and agencies	-	\$ 102,557	\$ -	\$ 102,557
Debt securities issued by Foreign governments	\$ -	\$ 23,569	\$ -	\$ 23,569
Corporate	\$ -	\$ 609,442	\$ -	\$ 609,442
Other Invested Assets	\$ -	\$ -	\$ 53,355	\$ 53,355
Short-term Investments	\$ -	\$ 323,193	\$ -	\$ 323,193
Total assets at fair value	<u>\$ -</u>	<u>\$ 2,478,547</u>	<u>\$ 53,355</u>	<u>\$ 2,531,902</u>

(2) Not applicable

(3) There have been no transfers into or out of Level 3 during the period.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

- (4) There have been no changes in the valuation technique for fair value measurements within Level 2 and Level 3
- (5) Not Applicable

B. None

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	<i>(In Thousands)</i>			Not Practicable (Carrying Value)
			(Level 1)	(Level 2)	(Level 3)	
Bonds	\$ 2,155,354	\$ 2,057,411	\$ -	\$ 2,155,354	\$ -	\$ NA
Other Invested Assets	53,355	9,416	-	-	53,355	NA
Short-Term Investments	323,193	323,193	-	323,193	-	NA

D. Not Applicable

Note 21 - Other Items

G. There were no offsetting of derivative, repurchase, reverse purchase and securities borrowing and lending assets and liabilities as of September 30, 2014.

Note 22 - Events Subsequent

Subsequent events described elsewhere in these Notes include the 2014 CPP Upward Adjustment, the FGIC-Detroit Settlement and the Assured Reinsurance Commutation.

SSAP 9, Subsequent Events, defines events subsequent to the financial statement date requiring disclosure. The date through which subsequent events have been evaluated was November 11, 2014.

Note 23 – Reinsurance

No significant changes from 2013 Notes to Financial Statements

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

None

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

In accordance with NYSDFS Guidelines, FGIC records loss reserves for any reporting period ending on or after the Effective Date in an amount equal to the excess at the applicable reporting date of (i) the amount of FGIC's admitted assets minus FGIC's Minimum Surplus Amount (currently \$66.4 million) over (ii) the sum of FGIC's statutory reserves excluding loss reserves (e.g., unearned premiums, contingency reserves, loss adjustment expense reserves) and other liabilities. The loss reserve amount comprises the total amount of (i) the Claims Reserve, (ii) the DPO for all policies and (iii) the DPO Accretion for all policies, *minus* the Policy Revision Adjustment. The Policy Revision Adjustment shown in the table below is prescribed by NYSDFS Guidelines and reflects the reduction in the loss reserve components necessary to reflect a Minimum Surplus Amount of \$66.4 million.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

The loss reserve components as of September 30, 2014 and December 31, 2013 are summarized as follows:

	September 30, 2014	December 31, 2013
	<i>(In Thousands)</i>	
Claims Reserve	\$ 2,589,279	\$ 3,429,852
DPO	868,913	–
DPO Accretion	37,254	–
Total	<u>3,495,446</u>	<u>3,429,852</u>
Policy Revision Adjustment	(1,596,571)	(2,062,464)
Loss reserve at end of period	<u>\$ 1,898,875</u>	<u>\$ 1,367,388</u>

Claims Reserve

The Claims Reserve is calculated on a policy-by-policy basis for insured obligations as the sum, net of reinsurance, of (x) the total amount of all policy claims submitted to FGIC in accordance with the Rehabilitation Plan that are unpaid as of the reporting date (excluding any portion of such policy claims that are being disputed by FGIC) and (y) the net present value of the total amount of all policy claims the Company expects to receive in the future in accordance with the Rehabilitation Plan determined as of the reporting date (using the prescribed statutory discount rate which is based upon the average rate of return on the Company's admitted assets, which was 3.00% and 2.92% at September 30, 2014 and December 31, 2013, respectively). The amount of the discount as of September 30, 2014 and December 31, 2013 was \$774.0 million and \$960.4 million, respectively. For reporting periods ending prior to the Effective Date, the loss reserve established by the Company would have been equivalent to the Claims Reserve.

Activity related to the Claims Reserve for the nine months ended September 30, 2014 and the year ended December 31, 2013 is summarized as follows:

	September 30, 2014	December 31, 2013
	<i>(In Thousands)</i>	
Loss reserve / Claims Reserve, beginning of period	\$ 3,434,599	\$ 3,863,104
Incurred (releases) related to:		
Current year	298,315	1,048,509
Prior years	(286,040)	(1,453,543)
Total incurred (releases)	<u>12,275</u>	<u>(405,034)</u>
Recoveries (payments) related to:		
Current year	–	1,966
Prior years	366,618	(25,437)
Total recoveries (payments)	<u>366,618</u>	<u>(23,471)</u>
Transferred to DPO:		
Current year	–	–
Prior years	(1,224,213)	–
Total transferred to DPO	<u>(1,224,213)</u>	<u>–</u>
Claims Reserve before offset, end of period	2,589,279	3,434,599
Less: premiums receivable offset	–	(4,747)
Claims Reserve, end of period	<u>\$ 2,589,279</u>	<u>\$ 3,429,852</u>

The Claims Reserve as of September 30, 2014 and December 31, 2013 includes a reduction in the amount of \$0.0 million and \$4.7 million related to unpaid premium amounts owed and not paid to FGIC in respect of certain policies as of the balance sheet date which have been offset against unpaid claims in accordance with the Restructured Policy Terms.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

The Claims Reserve decreased to \$2,589.3 million at September 30, 2014 from \$3,429.9 million at December 31, 2013. The net Claims Reserve activity for the nine months ended September 30, 2014 was mainly attributable to a reduction in the amount of \$1,484.7 million, which represents the aggregate amount of permitted policy claims that were paid (or deemed paid) by FGIC during that period in accordance with the Rehabilitation Plan (comprising cash payments of permitted policy claims of \$260.5 million and transfers to DPO of \$1,224.2 million), which was partially offset by an increase of \$134.9 million in estimated losses related to a change in the estimation methodology for reserve offsets which were recorded when the Company's estimated loss exceeded the recorded contingency reserves and an additional increase in estimated claims under FGIC's policies based on developments during the period, including (i) the establishment of a Claims Reserve for certain of FGIC's Puerto Rico-related exposures, arising from changes in the Company's views concerning the related insured public finance obligor's ability to make debt service payments when due and (ii) the expected impact of the FGIC-Detroit Settlement, the Assured Reinsurance Commutation and the City Plan (as such terms are defined below) (in accordance with applicable SAP, the value of the consideration described in the following paragraph that is expected to be received in connection with the FGIC-Detroit Settlement is not an admitted asset). In addition, both loss releases and cash recoveries reflect the net cash recovery of \$526.1 million (\$584.0 million net of \$53.3 million allocated to a recovery of loss adjustment expenses and \$4.6 million paid to reinsurers) related to the Settlement Agreement executed and effectuated in April 2014 between FGIC and Countrywide and Bank of America, but this has no impact on the Claims Reserve.

As of September 30, 2014, FGIC has approximately \$1,568.7 million of gross exposure related to the City of Detroit, including approximately \$1,100.0 million of gross exposure in respect of certificates of participation issued by the Detroit Retirement Systems Funding Trust 2005 and the Detroit Retirement Systems Funding Trust 2006 (the "COPs") and potential additional exposure under certain interest rate swaps related to such COPs (the "COPs Swaps"). The City of Detroit (the "City") filed for bankruptcy protection under Chapter 9 of the U.S. Bankruptcy Code on July 18, 2013, and, on October 22, 2014, filed an eighth amended plan of adjustment (the "City Plan") that, among other things, reflects the terms of a settlement of claims that FGIC has negotiated with the City (the "FGIC-Detroit Settlement"). The FGIC-Detroit Settlement resolves, among other things, FGIC's objections to the City's plan of adjustment, the validity litigation related to the COPs that was commenced by the City (and counterclaims and third party claims related to such litigation), treatment by the City of the FGIC-insured COPs, and treatment by the City of FGIC's claims related to its insurance of the COPs Swaps. Pursuant to the FGIC-Detroit Settlement, the City will provide specified consideration (i) with respect to the FGIC-insured COPs solely for the benefit of FGIC and the holders of such COPs, which consideration is expected to be held, managed, and liquidated by a newly formed entity managed by FGIC (or its designee) and in which the trustee holds a 100% economic interest on behalf of all FGIC-insured COPs holders (including FGIC to the extent it acquires such COPs by paying policy claims in cash or otherwise acquires such COPs) and (ii) with respect to FGIC's claims related to its insurance of the COPs Swaps solely for FGIC's benefit. The City Plan was confirmed by the bankruptcy court hearing the City's Chapter 9 case on November 7, 2014. The FGIC-Detroit Settlement is conditioned on the effective date of the City Plan having occurred. In addition, on October 26, 2014, FGIC entered into a reinsurance commutation agreement with Assured Guaranty Re Ltd. ("AG Re"), pursuant to which all reinsurance provided to FGIC by AG Re with respect to the COPs would be commuted in consideration of a commutation payment by AG Re (the "Assured Reinsurance Commutation"). The Assured Reinsurance Commutation will become effective if the effective date of the City Plan occurs. The expected commutation payment is recorded as settlement proceeds receivable in other assets in the balance sheet. As of September 30, 2014, FGIC continues to maintain a Claims Reserve for its exposure in respect of the COPs and the COPs Swaps, based on the expected effectuation of the terms of the FGIC-Detroit Settlement, the Assured Reinsurance Commutation and the City Plan upon the occurrence of the effective date of the City Plan.

As of September 30, 2014, FGIC has approximately \$1,245.7 million of net exposure related to the Commonwealth of Puerto Rico, including its general obligation bonds and various obligations of the Highway and Transportation Authority and certain other Puerto Rico-related authorities and public corporations. Neither Puerto Rico nor its related authorities and public corporations are eligible debtors under the U.S. Bankruptcy Code. However, in June 2014, the Commonwealth's legislature enacted The Puerto Rico Public Corporations Debt Enforcement and Recovery Act (the "Recovery Act"), which seeks to create a legal framework for certain Puerto Rico public corporations (including certain public corporations insured by FGIC) to restructure. While FGIC's Puerto Rico-related exposures are current on their debt service payments, there can be no assurance that these payments will continue. As of September 30, 2014, FGIC has established a Claims Reserve for certain of its Puerto Rico-related exposures. Rulings, outcomes or other developments relating to the Commonwealth of Puerto Rico, including public corporations insured by FGIC seeking to utilize the Recovery Act, which are adverse to FGIC's interests, may lead to an increase in the Claims Reserve for FGIC's Puerto Rico-related exposures and the policy claims that FGIC may be required to pay under its related policies, and such increases could be material.

The net Claims Reserve activity for the year ended December 31, 2013 was mainly attributable to (a) a reduction in estimated losses associated with (i) the policies insuring RMBS that are subject to the settlement agreement

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

among FGIC, Residential Capital, LLC and certain of its direct and indirect subsidiaries (collectively, “ResCap”), the trustees under certain ResCap securitization trusts that issued RMBS insured by FGIC, and certain institutional investors, which was effectuated in December 2013, (ii) the policies insuring sewer warrants issued by Jefferson County, Alabama, (iii) a policy insuring an ABS CDO that was consensually terminated and (iv) a policy insuring certain first lien RMBS that was consensually terminated and (b) the benefits associated with the consensual commutation of certain reinsurance agreements, which was partially offset by higher estimated policy claims for (i) certain public finance transactions, in particular exposure related to the City of Detroit, arising from changes in the Company's views concerning the related insured public finance obligor's ability to make debt service payments when due and (ii) certain RMBS backed by first lien mortgage loans arising from deteriorating mortgage loan performance and projected increases in insured interest obligations due to changes in the forward LIBOR curve.

If the Company identifies credit impairment and determines that policy claims are probable and estimable under a particular policy, the Claims Reserve is increased to reflect the amount of such claims.

The Company's cash flow projection models are dependent on a number of assumptions that require management to make judgments about the outcome of future events based on facts and circumstances at the time such estimates are made, including historical and current market data. Significant assumptions include the liquidation value of the assets supporting the insured obligations, the volume and timing of collateral cash flows and the behavior of the underlying borrower. In addition, FGIC's liability in RMBS, asset-backed securities and other securitization transactions, as such liability may be modified by the Rehabilitation Plan, is governed by the structure of the waterfall of cash flows in the transaction documents, which may be subject to interpretation. Changes in any significant assumptions from time to time will affect the Company's calculations of the amount of policy claims the Company expects to receive in the future, but will not affect the Company's loss reserve or operating results due to and as long as there is the Policy Revision Adjustment.

The Company believes that the Claims Reserve as of September 30, 2014 is adequate to reflect the sum of (i) the net policy claims submitted to the Company in accordance with the Rehabilitation Plan that are unpaid and not objected to by FGIC as of such date and (ii) the net policy claims that are expected to be received by FGIC in the future. However, the establishment of the appropriate level of the Claims Reserve to reflect the future policy claims expected by the Company is an inherently uncertain process involving numerous estimates and subjective judgments by management, and differences between estimated and actual results may be material. Small changes in the assumptions underlying these estimates could result in significant changes in the Company's loss expectations. There can be no assurance that the Company's estimate of the Claims Reserve is accurate. Accordingly, there can be no assurance that the total amount of policy claims permitted by the Company after September 30, 2014 will not exceed or be less than its Claims Reserve at September 30, 2014, and it is possible that they could significantly exceed such reserve.

Additionally, further deterioration in the performance of RMBS, changes in the financial condition of certain Public Finance obligations including Puerto Rico credits insured by the Company and the failure of the City Plan to become effective could lead to an increase in the Claims Reserve. The Company evaluates the portfolio of insured financial obligations on a regular basis to determine if there has been credit deterioration. The Company evaluates such factors as rating agency downgrades, significant changes in a specific industry and specific events impacting a particular credit, such as a negative credit event, performance below expectations, breaches of representations, warranties, covenants or deal triggers, management changes, regulatory changes, material litigation and other legal issues. Based on the Company's evaluation of these and other factors, the Company assigns credits to risk ratings categories, which assignment determines the level of on-going monitoring and surveillance efforts required and whether a Claims Reserve is recorded.

In RMBS, asset-backed securities and other securitization transactions insured by FGIC, the structure of the waterfall of cash flows in the transaction documents and applicable terms and conditions of the Rehabilitation Plan may permit FGIC to recover claims paid from subsequent cash flows. The projected recoveries in the above table reflect FGIC's current estimate of these recoveries, but there can be no assurance that such recoveries will be received by FGIC. The Company's insured financial obligations are structured to provide for rights and remedies in order to mitigate claim loss exposure. Loss mitigation activities may include making repurchase claims or pursuing other claims for breaches of representations and warranties by the originator or others, obtaining appraisals of collateral or reviews of loan files, enforcing collateral provisions and covenants of the servicer or others, more frequent meetings with the issuer or servicer, evaluating the financial position of the originator or servicer, renegotiating financial covenants, triggers, or terms of servicing, enforcing rights to remove and replace the servicer, evaluating restructuring plans or bankruptcy proceedings, and commencing litigation or arbitration proceedings as and where appropriate. There can be no assurance that any loss mitigation efforts will be successful, or as to the magnitude of any benefit that might be derived from any such efforts that are successful.

In accordance with the Rehabilitation Plan, each reinsurer is obligated to pay FGIC in full in cash for such reinsurer's reinsured portion of the entire amount of each permitted policy claim covered by the reinsurance, in

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

each case without giving effect to the modification of FGIC's policy obligations and regardless of the amount paid in cash by FGIC on account of such policy claim. Any reinsurance recoverable on losses is calculated in a manner consistent with the calculation of gross Claims Reserve and reflected in the Claims Reserve as a reduction of the liability.

DPO

Activity in the DPO for the nine months ended September 30, 2014 is summarized as follows:

	<i>(In Thousands)</i>
Balance as of January 1, 2014	\$ -
Releases:	
Proceeds of third-party settlements paid directly to RMBS trusts	(355,300)
Additions:	
DPO relating to Permitted Policy Claims that were initially paid (or deemed to be paid) in cash during the period	1,224,213
	\$ 868,913

Because no permitted policy claims were paid by FGIC pursuant to the Rehabilitation Plan on or prior to December 31, 2013, no DPO balances were established on or prior to that date.

DPO releases relate to settlements paid directly to the applicable RMBS trusts pursuant to the settlement agreements between each of such trusts and Countrywide and Bank of America (see Note 14).

Upon payment by FGIC, permitted policy claims with distribution or scheduled payment dates on or after the date of the Rehabilitation Order (June 28, 2012) are generally deemed to have been paid by FGIC as of the distribution or scheduled payment date to which the particular claim relates, even though the actual payment date typically will occur later. Upon payment by FGIC, permitted policy claims with distribution or scheduled payment dates prior to the Rehabilitation Order are generally deemed to have been paid as of the first distribution or scheduled payment date after the date of the Rehabilitation Order, even though the actual payment date will occur later. Accordingly, upon payment of a permitted policy claim by FGIC, the DPO is increased and deemed to exist as of such applicable distribution or scheduled payment date.

DPO Accretion

Activity in the DPO Accretion for the nine months ended September 30, 2014 is summarized as follows:

	<i>(In thousands)</i>
Balance as of January 1, 2014	\$ -
Accretion on outstanding DPO	37,254
	\$ 37,254

Because no DPO balances were established on or prior to December 31, 2013, the balance of DPO Accretion was \$0 as of that date. However, with respect to policies that have permitted policy claims with distribution or scheduled payment dates on or prior to August 19, 2013 (the Effective Date) that were paid by FGIC in January 2014, the DPO relating to such policy claims will be deemed to exist on August 19, 2013, and DPO Accretion shall begin to accrue as of that date. The portion of this DPO Accretion relating to the period prior to January 1, 2014 was recorded during the first quarter of 2014.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

PRA

Activity in the PRA for the nine months ended September 30, 2014 is summarized as follows:

	<u>(In thousands)</u>
Balance as of January 1, 2014	\$ (2,062,464)
Change in PRA	465,893
Balance as of September 30, 2014	<u><u>\$ (1,596,571)</u></u>

Loss Adjustment Expense Reserves

The Company estimates a loss adjustment expense reserve based on the ultimate future net cost, determined using internally developed estimates, of the efforts involved in managing and mitigating existing and future policy claims.

Activity in the loss adjustment expense reserve is summarized as follows:

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
	<u>(In Thousands)</u>	
Net balance at beginning of period	\$ 42,422	\$ 33,326
(Released) incurred related to:		
Current year	1,980	25,357
Prior years	(45,123)	14,421
Total (released) incurred	<u>(43,143)</u>	<u>39,778</u>
Recovered (paid) related to:		
Current year	(350)	(4,933)
Prior years	34,618	(25,749)
Total recovered (paid)	<u>34,268</u>	<u>(30,682)</u>
Net balance at end of period	<u><u>\$ 33,547</u></u>	<u><u>\$ 42,422</u></u>

Both loss adjustment expense releases and cash recoveries reflect the net cash recovery of \$53.3 million of loss adjustment expenses related to the Settlement Agreement executed and effectuated in April 2014 between FGIC and Countrywide and Bank of America.

Note 26 - Intercompany Pooling Arrangements

None

Note 27 - Structured Settlements

None

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

Note 28 - Health Care Receivables

None

Note 29 - Participating Policies

None

Note 30 - Premium Deficiency Reserves

None

Note 31 - High Deductibles

None

**Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss
Adjustment Expenses**

No significant changes from 2013 Notes to Financial Statements

Note 33 - Asbestos/Environmental Reserves

None

Note 34 - Subscriber Savings Accounts

None

Note 35 - Multiple Peril Crop Insurance

None

Note 36 - Financial Guaranty Insurance

The Company uses the following risk categories to define and monitor insured financial obligations:

Risk Category 1 – Performing Credits

Transactions are performing with no expectation of loss. Financial strength of the transaction would enable it to withstand volatility in performance without risk of non-payment on timely debt service. Transactions are considered to be investment grade by the Company. Although rating changes may occur, it is not expected that a downgrade would be to below investment grade.

Risk Category 2 – Watchlist Credits Under Heightened Surveillance

Credits in this category typically would be considered marginal investment grade or higher rated “non-investment grade”. Credits in this risk category have been determined to require heightened surveillance, taking into account

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE
COMPANY
NOTES TO FINANCIAL STATEMENTS**

the totality of circumstances surrounding the particular credit, but have not deteriorated to the level that they would be considered impaired and/or require a Claims Reserve.

Risk Category 3 – Watchlist Credits Experiencing Credit Deterioration

Credit deterioration has occurred and there is substantial uncertainty as to the credit's ability or willingness to pay its debt service obligations in a timely manner. Credits in this category typically would have suffered sustained negative trends or would have been the subject of a significant adverse event, but are currently not in payment default. Credits in this category have been determined to be impaired, and there is an increased probability of default, but FGIC has not determined, or been able to determine, that policy claims are probable and estimable.

Risk Category 4 – Watchlist Credits Currently or Likely to Be in Payment Default

Credits that have deteriorated to the point where payment default on their debt service obligations has occurred or is probable and the ultimate loss can be reasonably estimated. Claims Reserves are established on a case basis and are inclusive of any anticipated recoveries from the particular credit or the related collateral. Credits in this category would be consistent with the lowest or in-default credit ratings. Credits in risk category 4 are reviewed and updated on at least a quarterly basis for any change in status

B. The following table is a breakdown, as of September 30, 2014, of the Company's portfolio of insured financial obligations assigned to risk category 4:

	Risk Category 4 <i>(Dollars in Thousands)</i>
Number of policies	<u>87</u>
Remaining weighted-average contract period (in years)	<u>20</u>
Insured contractual payments outstanding:	
Principal	\$ 5,883,298
Interest	<u>1,444,841</u>
Total	<u>\$ 7,328,139</u>
Gross Claims Reserve	\$ 3,717,599
Less:	
Gross projected recoveries	(294,423)
Discount, net	<u>(790,122)</u>
Gross Claims Reserve, net of discount and projected recoveries	<u>\$ 2,633,054</u>
Unearned premiums	<u>\$ 41,806</u>
Reinsurance receivable reported in the balance sheet	<u>\$ 7</u>

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes No
- 1.2 If yes, has the report been filed with the domiciliary state? Yes No
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change:04/10/2014
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes No
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
.....
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes No NA
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2007
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2004
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).05/29/2007
- 6.4 By what department or departments?
New York State Department of Financial Services.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes No NA
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No NA
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No
- 7.2 If yes, give full information:
Please see User Footnote below.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes No
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 (c) Compliance with applicable governmental laws, rules and regulations;
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

- 9.2 Has the code of ethics for senior managers been amended? Yes No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$4,636

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes No

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$0

13. Amount of real estate and mortgages held in short-term investments: \$0

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$0	\$0
14.22 Preferred Stock	\$0	\$0
14.23 Common Stock	\$15,217,714	\$19,832,299
14.24 Short-Term Investments	\$0	\$0
14.25 Mortgage Loans on Real Estate	\$0	\$0
14.26 All Other	\$0	\$0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$15,217,714	\$19,832,299
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$0	\$0

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No

- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No

If no, attach a description with this statement.

GENERAL INTERROGATORIES

- 16 For the reporting entity's security lending program, state the amount of the following as of the current statement date:
- 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$0
 - 16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$0
 - 16.3 Total payable for securities lending reported on the liability page \$0

17. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No []

17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
State Street Global Services.....	801 Pennsylvania Ave., Kansas City, MO 64105.....

17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
107717.....	MacKay Shields LLC.....	1345 Avenue of the Americas New York, NY 10105.....

18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

18.2 If no, list exceptions:
.....

User Footnote to Interrogatory 7.1 / 7.2 :

As of September 30, 2014, FGIC's Certificate of Authority is suspended or revoked in 30 states including suspensions in AR, CA, CO, CT, GA, ID, IL, IN, IA, KY, ME, MI, MS, MO, NH, NC, ND, OH, OR, SC, TN, UT, VA & WV and revocations in AL, FL, LA, MA, WA & WY.

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Type of Reinsurer	6 Certified Reinsurer Rating (1 through 6)	7 Effective Date of Certified Reinsurer Rating
<p>NONE</p>						

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama	AL L	0	0	(116,620)	0	0	160,039,429
2. Alaska	AK L	24,766	24,995	0	0	0	0
3. Arizona	AZ L	0	0	0	0	0	0
4. Arkansas	AR L	0	0	0	0	0	0
5. California	CA L	1,147,112	1,167,260	0	0	0	0
6. Colorado	CO L	0	0	0	0	0	0
7. Connecticut	CT L	0	0	0	0	0	0
8. Delaware	DE L	0	0	0	0	0	0
9. Dist. Columbia	DC L	0	0	0	0	0	0
10. Florida	FL L	0	0	(24,572)	0	1,715,740	1,763,088
11. Georgia	GA L	26,361	26,289	0	0	0	0
12. Hawaii	HI L	0	0	0	0	0	0
13. Idaho	ID L	0	0	0	0	0	0
14. Illinois	IL L	77,551	80,452	0	0	0	0
15. Indiana	IN L	74,250	74,250	0	0	0	0
16. Iowa	IA L	0	0	0	0	0	0
17. Kansas	KS L	0	0	0	0	0	0
18. Kentucky	KY L	0	0	0	0	0	0
19. Louisiana	LA L	320,476	318,973	0	0	0	0
20. Maine	ME L	0	0	0	0	0	0
21. Maryland	MD L	0	0	0	0	0	0
22. Massachusetts	MA L	138	133	0	0	0	0
23. Michigan	MI L	256	661	2,452,423	0	1,182,772,055	1,077,355,086
24. Minnesota	MN L	147	141	0	0	0	0
25. Mississippi	MS L	0	0	0	0	0	0
26. Missouri	MO L	0	0	0	0	0	0
27. Montana	MT L	0	0	0	0	0	0
28. Nebraska	NE L	0	0	0	0	0	0
29. Nevada	NV L	93,884	226,033	0	0	0	0
30. New Hampshire	NH L	0	0	0	0	0	0
31. New Jersey	NJ L	168,816	172,376	0	0	0	0
32. New Mexico	NM L	0	0	0	0	0	0
33. New York	NY L	10,014,547	21,228,889	265,405,709	(5,567,377)	1,110,732,832	2,532,150,024
34. No. Carolina	NC L	0	0	0	0	0	0
35. No. Dakota	ND L	0	0	0	0	0	0
36. Ohio	OH L	192,937	192,938	0	0	0	0
37. Oklahoma	OK L	0	0	0	0	0	0
38. Oregon	OR L	0	0	0	0	0	0
39. Pennsylvania	PA L	0	0	0	0	0	0
40. Rhode Island	RI L	7,629	7,722	0	0	0	0
41. So. Carolina	SC L	0	0	0	0	0	0
42. So. Dakota	SD L	0	0	0	0	0	0
43. Tennessee	TN L	0	0	0	0	0	0
44. Texas	TX L	2,800	7,070	(298,043)	0	865,475	1,940,779
45. Utah	UT L	0	0	0	0	0	0
46. Vermont	VT L	0	0	0	0	0	0
47. Virginia	VA L	0	0	0	0	0	0
48. Washington	WA L	0	0	0	0	0	0
49. West Virginia	WV L	0	0	0	0	0	0
50. Wisconsin	WI L	0	0	0	0	0	0
51. Wyoming	WY L	0	0	0	0	0	0
52. American Samoa	AS N	0	0	0	0	0	0
53. Guam	GU N	0	0	0	0	0	0
54. Puerto Rico	PR L	0	0	0	0	312,520,144	0
55. U.S. Virgin Islands	VI L	0	0	0	0	0	0
56. Northern Mariana Islands	MP N	0	0	0	0	0	0
57. Canada	CAN N	0	0	0	0	0	0
58. Aggregate Other Alien	OT XXX	2,160,185	3,673,077	0	0	0	0
59. Totals	(a) 53	14,311,855	27,201,259	267,418,897	(5,567,377)	2,608,606,246	3,773,248,406
DETAILS OF WRITE-INS							
58001. AUS Australia	XXX	241,389	1,703,845	0	0	0	0
58002. GBR United Kingdom	XXX	1,324,749	1,209,174	0	0	0	0
58003. TUR Turkey	XXX	366,276	657,338	0	0	0	0
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	227,771	102,720	0	0	0	0
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	2,160,185	3,673,077	0	0	0	0

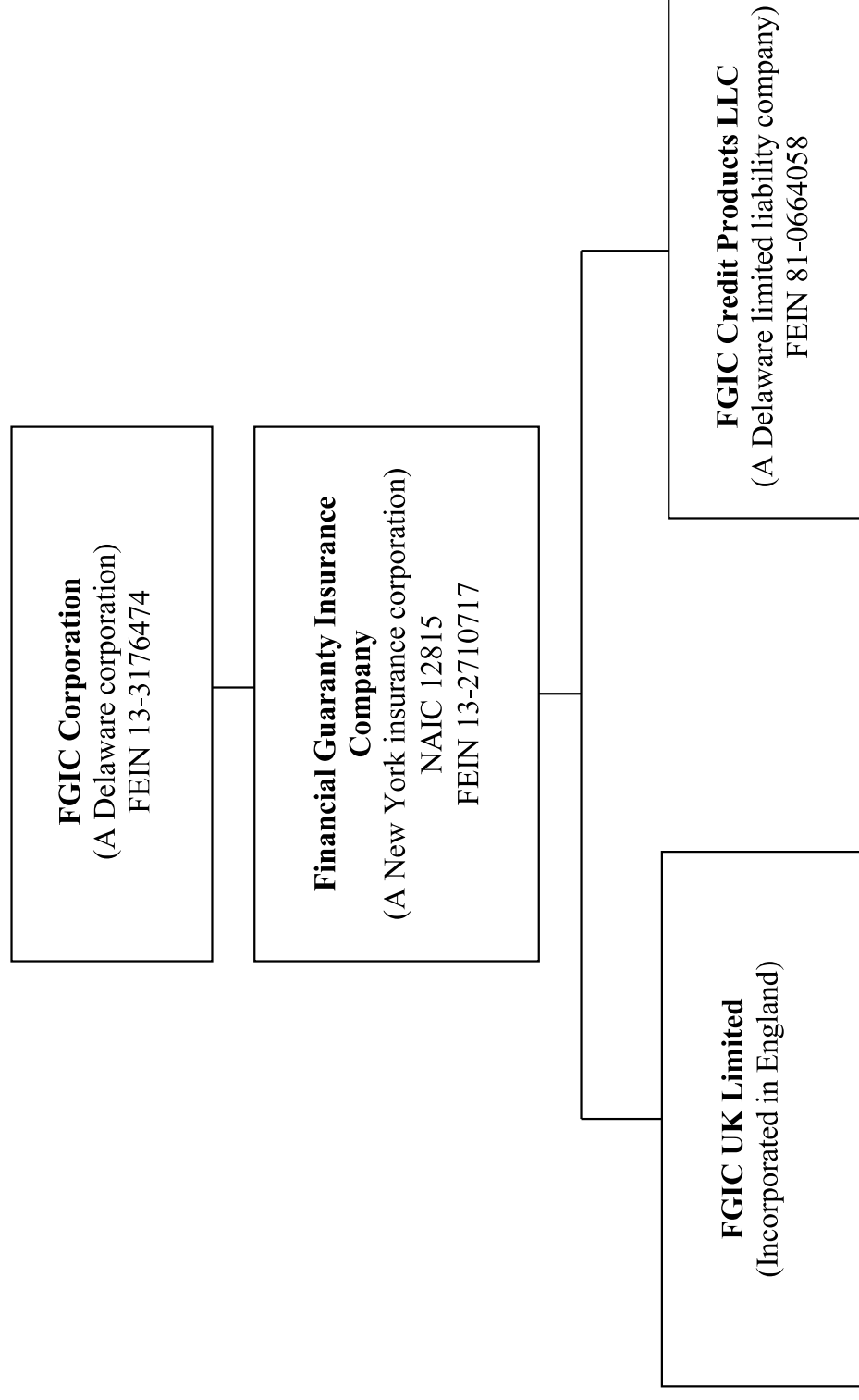
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

**STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF HOLDING
COMPANY GROUP**

PART 1 – ORGANIZATIONAL CHART

FGIC Corporation Structure (as of 9/30/14)



All ownership interests are 100%

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	0	0	0.0	0.0
2. Allied lines	0	0	0.0	0.0
3. Farmowners multiple peril	0	0	0.0	0.0
4. Homeowners multiple peril	0	0	0.0	0.0
5. Commercial multiple peril	0	0	0.0	0.0
6. Mortgage guaranty	0	0	0.0	0.0
8. Ocean marine	0	0	0.0	0.0
9. Inland marine	0	0	0.0	0.0
10. Financial guaranty	21,345,626	(26,778,465)	(125.5)	(1,670.1)
11.1 Medical professional liability -occurrence	0	0	0.0	0.0
11.2 Medical professional liability -claims made	0	0	0.0	0.0
12. Earthquake	0	0	0.0	0.0
13. Group accident and health	0	0	0.0	0.0
14. Credit accident and health	0	0	0.0	0.0
15. Other accident and health	0	0	0.0	0.0
16. Workers' compensation	0	0	0.0	0.0
17.1 Other liability occurrence	0	0	0.0	0.0
17.2 Other liability-claims made	0	0	0.0	0.0
17.3 Excess Workers' Compensation	0	0	0.0	0.0
18.1 Products liability-occurrence	0	0	0.0	0.0
18.2 Products liability-claims made	0	0	0.0	0.0
19.1,19.2 Private passenger auto liability	0	0	0.0	0.0
19.3,19.4 Commercial auto liability	0	0	0.0	0.0
21. Auto physical damage	0	0	0.0	0.0
22. Aircraft (all perils)	0	0	0.0	0.0
23. Fidelity	0	0	0.0	0.0
24. Surety	0	0	0.0	0.0
26. Burglary and theft	0	0	0.0	0.0
27. Boiler and machinery	0	0	0.0	0.0
28. Credit	0	0	0.0	0.0
29. International	0	0	0.0	0.0
30. Warranty	0	0	0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	21,345,626	(26,778,465)	(125.5)	(1,670.1)
DETAILS OF WRITE-INS				
3401.	0	0	0.0	0.0
3402.	0	0	0.0	0.0
3403.	0	0	0.0	0.0
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	0	0	0
2. Allied lines	0	0	0
3. Farmowners multiple peril	0	0	0
4. Homeowners multiple peril	0	0	0
5. Commercial multiple peril	0	0	0
6. Mortgage guaranty	0	0	0
8. Ocean marine	0	0	0
9. Inland marine	0	0	0
10. Financial guaranty	4,732,743	14,311,855	27,201,259
11.1 Medical professional liability-occurrence	0	0	0
11.2 Medical professional liability-claims made	0	0	0
12. Earthquake	0	0	0
13. Group accident and health	0	0	0
14. Credit accident and health	0	0	0
15. Other accident and health	0	0	0
16. Workers' compensation	0	0	0
17.1 Other liability occurrence	0	0	0
17.2 Other liability-claims made	0	0	0
17.3 Excess Workers' Compensation	0	0	0
18.1 Products liability-occurrence	0	0	0
18.2 Products liability-claims made	0	0	0
19.1,19.2 Private passenger auto liability	0	0	0
19.3,19.4 Commercial auto liability	0	0	0
21. Auto physical damage	0	0	0
22. Aircraft (all perils)	0	0	0
23. Fidelity	0	0	0
24. Surety	0	0	0
26. Burglary and theft	0	0	0
27. Boiler and machinery	0	0	0
28. Credit	0	0	0
29. International	0	0	0
30. Warranty	0	0	0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	4,732,743	14,311,855	27,201,259
DETAILS OF WRITE-INS			
3401.	0	0	0
3402.	0	0	0
3403.	0	0	0
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2014 Loss and LAE Payments on Claims Reported as of Prior Year-End	2014 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2014 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2011 + Prior	1,064,518	0	1,064,518	(319,675)	0	(319,675)	824,106	0	0	824,106	(560,087)	0	(560,087)
2. 2012	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Subtotals 2012 + prior	1,064,518	0	1,064,518	(319,675)	0	(319,675)	824,106	0	0	824,106	(560,087)	0	(560,087)
4. 2013	345,293	0	345,293	(87,170)	0	(87,170)	887,773	0	0	887,773	455,310	0	455,310
5. Subtotals 2013 + prior	1,409,811	0	1,409,811	(406,845)	0	(406,845)	1,711,879	0	0	1,711,879	(104,777)	0	(104,777)
6. 2014	XXX	XXX	XXX	XXX	1,213	1,213	XXX	220,543	0	220,543	XXX	XXX	XXX
7. Totals	1,409,811	0	1,409,811	(406,845)	1,213	(405,632)	1,711,879	220,543	0	1,932,422	(104,777)	0	(104,777)
8. Prior Year-End Surplus As Regards Policy-holders	66,400										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. (7.4)	2. 0.0	3. (7.4)
													Col. 13, Line 7 Line 8
													4. (157.8)

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	<u>Response</u>
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	.....SEE EXPLANATION.....
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	.....NO.....
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....NO.....
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....NO.....

Explanation:

1. Company is a US entity
- 2.
- 3.
- 4.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 25.

*ASSETS

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
2504. Other Receivables.....	105,751,994	0	105,751,994	185,464
2597. Summary of remaining write-ins for Line 25 from Page 02	105,751,994	0	105,751,994	185,464

PQ010 Additional Aggregate Lines for Page 10 Line 58.

*SCT

	1	2	3	4	5	6	7
	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
58004 . BRA Brazil.....	.XXX.	227,771	102,720	0	0	0	0
58005.....	.XXX.	0	0	0	0	0	0
58997 . Summary of remaining write- ins for Line 58 from Page 10	.XXX	227,771	102,720	0	0	0	0

SCHEDULE A – VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other-than-temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

NONE

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other-than-temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

NONE

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other-than-temporary impairment recognized	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

NONE

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,380,315,104	1,296,051,249
2. Cost of bonds and stocks acquired	794,138,509	277,837,765
3. Accrual of discount	1,774,422	2,210,068
4. Unrealized valuation increase (decrease)	11,871,866	15,217,715
5. Total gain (loss) on disposals	860	818,015
6. Deduct consideration for bonds and stocks disposed of	94,135,474	161,284,460
7. Deduct amortization of premium	8,285,639	12,042,816
8. Total foreign exchange change in book/adjusted carrying value	(7,419,021)	647,906
9. Deduct current year's other-than-temporary impairment recognized	1,017,879	39,140,338
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	2,077,242,748	1,380,315,104
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	2,077,242,748	1,380,315,104

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. NAIC 1 (a).....	2,351,006,388	388,903,093	354,075,551	(5,230,224)	1,732,071,558	2,351,006,388	2,380,603,706	1,931,637,225
2. NAIC 2 (a).....	0	0	0	0	0	0	0	0
3. NAIC 3 (a).....	0	0	0	0	0	0	0	0
4. NAIC 4 (a).....	0	0	0	0	0	0	0	0
5. NAIC 5 (a).....	0	0	0	0	0	0	0	0
6. NAIC 6 (a).....	0	0	0	0	0	0	0	0
7. Total Bonds	2,351,006,388	388,903,093	354,075,551	(5,230,224)	1,732,071,558	2,351,006,388	2,380,603,706	1,931,637,225
PREFERRED STOCK								
8. NAIC 1.....	0	0	0	0	0	0	0	0
9. NAIC 2.....	0	0	0	0	0	0	0	0
10. NAIC 3.....	0	0	0	0	0	0	0	0
11. NAIC 4.....	0	0	0	0	0	0	0	0
12. NAIC 5.....	0	0	0	0	0	0	0	0
13. NAIC 6.....	0	0	0	0	0	0	0	0
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	2,351,006,388	388,903,093	354,075,551	(5,230,224)	1,732,071,558	2,351,006,388	2,380,603,706	1,931,637,225

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$156,031,547 ; NAIC 2 \$0 ;
NAIC 3 \$0 ; NAIC 4 \$0 ; NAIC 5 \$0 ; NAIC 6 \$0

S102

SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	323,193,257	XXX	323,345,132	249,335	274,612

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	566,539,836	676,680,983
2. Cost of short-term investments acquired	2,031,888,556	2,322,084,756
3. Accrual of discount	37,795	200,579
4. Unrealized valuation increase (decrease).....	0	0
5. Total gain (loss) on disposals	829	39,536
6. Deduct consideration received on disposals	2,274,248,545	2,426,633,472
7. Deduct amortization of premium.....	193,926	5,832,546
8. Total foreign exchange change in book/adjusted carrying value.....	(831,288)	0
9. Deduct current year's other-than-temporary impairment recognized.....	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	323,193,257	566,539,836
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	323,193,257	566,539,836

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	141,789	135,395
2. Cost of cash equivalents acquired	0	20,178
3. Accrual of discount	0	0
4. Unrealized valuation increase (decrease)	0	0
5. Total gain (loss) on disposals.....	0	0
6. Deduct consideration received on disposals	141,789	13,784
7. Deduct amortization of premium	0	0
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	0	141,789
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	0	141,789

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
912828-WW-6	US TREASURY NB 1.625% 07/31/19		07/29/2014	Direct		1,368,817	1,375,000	0	1
0599999 - Bonds - U.S. Governments						1,368,817	1,375,000	0	XXX
Bonds - All Other Governments									
Bonds - U.S. States, Territories and Possessions									
Bonds - U.S. Political Subdivisions of States, Territories and Possessions									
213039-GD-6	COOK AND DUPAGE CTY DIST 210 5.000% 01		09/12/2014	Tax Free Exchange		1,947,950	1,890,000	18,638	1FE
213039-GL-8	COOK AND DUPAGE CTY DIST 210 5.000% 01		09/12/2014	Tax Free Exchange		2,174,016	2,125,000	20,955	1FE
2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions						4,121,966	4,015,000	39,593	XXX
Bonds - U.S. Special Revenue									
3128M8-U8-5	FHLMC POOL 600607 4.500% 06/01/41		09/26/2014	Barclays Capital Inc		12,904,607	11,845,860	34,113	1
3132HL-NE-9	FHLMC GOLD POOL 010389 3.500% 08/01/42		07/24/2014	Credit Suisse First Boston		2,912,668	2,828,691	7,700	1
31416C-EZ-5	FNMA POOL 995752 4.500% 05/01/39		08/20/2014	Credit Suisse First Boston		1,454,670	1,332,077	3,996	1
31416R-QU-0	FNMA POOL AA7666 4.500% 06/01/39		09/26/2014	Morgan Stanley		14,704,086	13,493,178	47,166	1
592646-T8-6	MET WASHINGTON DC ARPTS AUTH A SERIES A		08/27/2014	GUGGENHEIM CAPITAL MAK		4,517,400	4,000,000	83,889	1FE
647370-FD-2	NEW MEXICO ST HOSP EQUIP LN 5.125% 08/		08/06/2014	Stifel Nicolaus & Co		1,421,224	1,295,000	1,844	1FE
663507-CL-3	NORTHAMPTON CNTY PA GEN PURPOE 5.000%		09/05/2014	GUGGENHEIM CAPITAL MAK		1,655,535	1,500,000	23,958	1FE
914729-LW-6	UNIV OF N TEXAS TX SERIES A 5.000% 04/		07/24/2014	Merrill Lynch Pierce Fenner		11,862,702	10,985,000	158,672	1FE
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						51,432,892	47,279,806	361,338	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)									
51769R-AA-2	LAS VEGAS MONORAIL 5.500% 07/15/19		07/15/2014	Corp Action		1,845	1,845	0	1Z
000000-03-4	QNB FINANCE LTD 2.875% 04/29/20	F	07/17/2014	STANDARD CHARTERED BA		3,489,500	3,500,000	23,200	1FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						3,491,345	3,501,845	23,200	XXX
Bonds - Hybrid Securities									
Bonds - Parent, Subsidiaries and Affiliates									
8399997 - Subtotals - Bonds - Part 3						60,415,020	56,171,651	424,131	XXX
8399999 - Subtotals - Bonds						60,415,020	56,171,651	424,131	XXX
Preferred Stocks - Industrial and Miscellaneous (Unaffiliated)									
Preferred Stocks - Parent, Subsidiaries and Affiliates									
Common Stocks - Industrial and Miscellaneous									
Common Stocks - Parent, Subsidiaries and Affiliates									
Common Stocks - Mutual Funds									
Common Stocks - Money Market Mutual Funds									
9999999 Totals						60,415,020	XXX	424,131	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0

E04

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
36178N-G6-0	GNMA IT POOL AB2921		09/01/2014	Paydown		109,108	109,108	114,067	114,067	0	(4,960)	0	(4,960)	0	109,108	0	0	0	2,909	09/20/2042	1
36178W-HJ-1	GNMA II POOL AB9233		09/01/2014	Paydown		186,746	186,746	195,261	195,261	0	(8,515)	0	(8,515)	0	186,746	0	0	0	4,560	11/20/2042	1
36202F-O8-2	GNMA POOL 004979 5.000%		09/01/2014	Paydown		122,090	122,090	133,355	133,355	0	(11,265)	0	(11,265)	0	122,090	0	0	0	4,057	03/20/2041	1
36209F-DN-6	GNMA POOL 470009 4.000%		09/01/2014	Paydown		289,103	289,103	307,172	307,172	0	(18,069)	0	(18,069)	0	289,103	0	0	0	3,600	09/15/2041	1
36297G-VR-8	GNMA POOL 711724 3.500%		09/01/2014	Paydown		18,020	18,020	18,253	18,253	0	(233)	0	(233)	0	18,020	0	0	0	394	02/20/2043	1
912828-CT-5	US TREASURY NB 4.250%		08/15/2014	Maturity		1,500,000	1,500,000	1,617,657	1,515,116	0	(15,116)	0	(15,116)	0	1,500,000	0	0	0	63,750	08/15/2014	1
0599999 - Bonds - U.S. Governments						2,225,067	2,225,067	2,385,765	1,976,052	0	(58,158)	0	(58,158)	0	2,225,067	0	0	0	79,270	XXX	XXX
Bonds - All Other Governments																					
Bonds - U.S. States, Territories and Possessions																					
Bonds - U.S. Political Subdivisions of States, Territories and Possessions																					
213039-CX-6	COOK AND DUPAGE CTY DIST 210 5.000% 01		09/12/2014	Tax Free Exchange		4,121,966	4,015,000	4,342,905	4,177,690	0	(55,724)	0	(55,724)	0	4,121,966	0	0	0	240,342	01/01/2021	1FE
476575-2N-4	JERSEY CITY NJ 5.380%		09/01/2014	Redemption	100.0000	850,000	850,000	862,674	861,074	0	(11,074)	0	(11,074)	0	850,000	0	0	0	45,730	09/01/2016	1FE
718814-UJ-3	PHOENIX ARIZONA CIVIC IMPRT 4.500% 07/0		07/01/2014	Call	100.0000	4,315,000	4,315,000	4,461,494	4,339,397	0	(24,397)	0	(24,397)	0	4,315,000	0	0	0	194,175	07/01/2022	1FE
2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions						9,286,966	9,180,000	9,667,073	9,378,161	0	(91,195)	0	(91,195)	0	9,286,966	0	0	0	480,247	XXX	XXX
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					
31283K-6E-3	FHLMC POOL G11769		09/01/2014	Paydown		15,689	15,689	15,503	15,543	0	147	0	147	0	15,689	0	0	0	521	10/01/2020	1
3128K8-NV-2	FHLMC POOL A47597		09/01/2014	Paydown		51,783	51,783	49,744	49,827	0	1,956	0	1,956	0	51,783	0	0	0	1,711	11/01/2035	1
3128KY-6C-8	FHLMC POOL A68067		09/01/2014	Paydown		87,585	87,585	89,720	89,621	0	(2,036)	0	(2,036)	0	87,585	0	0	0	3,795	10/01/2037	1
3128KY-RB-7	FHLMC POOL A67682		09/01/2014	Paydown		1,026	1,026	1,051	1,050	0	(24)	0	(24)	0	1,026	0	0	0	45	10/01/2037	1
3128M1-CR-8	FHLMC POOL G11980		09/01/2014	Paydown		38,075	38,075	36,889	37,112	0	963	0	963	0	38,075	0	0	0	1,262	04/01/2021	1
3128M8-U8-5	FHLMC POOL G00607		09/01/2014	Paydown		349,953	349,953	370,462	229,969	0	(20,272)	0	(20,272)	0	349,953	0	0	0	7,604	06/01/2041	1
3128MC-Z5-7	FHLMC POOL G14164		09/01/2014	Paydown		306,246	306,246	314,381	313,671	0	(7,425)	0	(7,425)	0	306,246	0	0	0	7,073	05/01/2026	1
3128MJ-FQ-8	FHLMC POOL G08174		09/01/2014	Paydown		28,880	28,880	29,018	29,014	0	(134)	0	(134)	0	28,880	0	0	0	1,148	01/01/2037	1
3128MJ-S6-8	FHLMC POOL G08540		09/01/2014	Paydown		88,534	88,534	85,474	85,474	0	3,072	264	2,808	0	88,534	0	0	0	1,333	08/01/2043	1
3128MJ-SY-7	FHLMC POOL G08534		09/01/2014	Paydown		99,356	99,356	95,922	95,922	0	3,448	359	3,089	0	99,356	0	0	0	1,489	06/01/2043	1
3128MJ-T2-6	FHLMC POOL G08568		09/01/2014	Paydown		83,051	83,051	88,672	88,672	0	(5,634)	336	(5,969)	0	83,051	0	0	0	1,549	01/01/2044	1
3128MJ-TQ-3	FHLMC POOL G08558		09/01/2014	Paydown		110,126	110,126	113,211	113,211	0	(3,085)	0	(3,085)	0	110,126	0	0	0	2,893	11/01/2043	1
3128MJ-UC-2	FHLMC POOL G08578		09/01/2014	Paydown		873,036	873,036	935,376	935,376	0	(62,340)	0	(62,340)	0	873,036	0	0	0	14,072	03/01/2044	1
3128P7-RA-3	FHLMC POOL C91381		09/01/2014	Paydown		247,276	247,276	254,630	254,307	0	(7,031)	0	(7,031)	0	247,276	0	0	0	6,577	07/01/2031	1
31292J-BG-4	FHLMC POOL C01839		09/01/2014	Paydown		65,373	65,373	63,667	63,750	0	1,623	0	1,623	0	65,373	0	0	0	2,157	05/01/2034	1
31292S-AD-2	FHLMC POOL C09004		09/01/2014	Paydown		112,477	112,477	113,127	113,127	0	(652)	483	(1,135)	0	112,477	0	0	0	1,649	07/01/2042	1
312938-YF-4	FHLMC POOL A90710		09/01/2014	Paydown		67,027	67,027	71,336	71,336	0	(4,309)	0	(4,309)	0	67,027	0	0	0	2,010	01/01/2040	1
312945-ZG-6	FHLMC POOL A97043		09/01/2014	Paydown		123,549	123,549	128,471	128,334	0	(4,786)	0	(4,786)	0	123,549	0	0	0	3,745	02/01/2041	1
312968-JE-1	FHLMC POOL B15661		09/01/2014	Paydown		51,603	51,603	50,958	51,163	0	441	0	441	0	51,603	0	0	0	1,574	07/01/2019	1
31297B-3N-0	FHLMC POOL A24405		09/01/2014	Paydown		3,545	3,545	3,636	3,630	0	(85)	0	(85)	0	3,545	0	0	0	142	07/01/2034	1

EO5

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
31297U-AZ-3	FHLMC POOL A38124 5.500% 09/01/35		09/01/2014	Paydown		29,150	29,150	29,027	29,030	.0	.120	.0	.120	.0	29,150	.0	.0	.0	1,068	09/01/2035	1
31326A-HX-9	FHLMC POOL U60496 4.500% 03/01/41		09/01/2014	Paydown		330,731	330,731	343,562	343,074	.0	(12,342)	.0	(12,342)	.0	330,731	.0	.0	.0	9,731	03/01/2041	1
31326G-ZO-2	FHLMC POOL Q04651 4.000% 11/01/41		09/01/2014	Paydown		20,877	20,877	21,555	21,555	.0	(678)	.0	(678)	.0	20,877	.0	.0	.0	561	11/01/2041	1
31326M-AT-9	FHLMC POOL Q05718 3.500% 01/01/42		09/01/2014	Paydown		77,718	77,718	78,195	.0	.0	(482)	417	(899)	.0	77,718	.0	.0	.0	1,222	01/01/2042	1
31326N-DJ-8	FHLMC POOL Q05805 4.000% 01/01/42		09/01/2014	Paydown		184,638	184,638	190,637	190,637	.0	(5,999)	.0	(5,999)	.0	184,638	.0	.0	.0	4,861	01/01/2042	1
31326O-UJ-2	FHLMC POOL U90883 3.500% 02/01/43		09/01/2014	Paydown		236,290	236,290	232,141	232,141	.0	4,148	.0	4,148	.0	236,290	.0	.0	.0	4,931	02/01/2043	1
31326P-S7-9	FHLMC POOL U90542 4.000% 12/01/42		09/01/2014	Paydown		407,211	407,211	415,065	415,065	.0	(7,854)	.0	(7,854)	.0	407,211	.0	.0	.0	11,695	12/01/2042	1
31326Q-U3-5	FHLMC POOL U90602 3.500% 12/01/42		09/01/2014	Paydown		357,788	357,788	351,507	351,507	.0	6,280	.0	6,280	.0	357,788	.0	.0	.0	7,409	12/01/2042	1
31326R-NE-9	FHLMC GOLD POOL Q10389 3.500% 08/01/42		09/01/2014	Paydown		43,105	43,105	44,385	.0	.0	(1,280)	.0	(1,280)	.0	43,105	.0	.0	.0	191	08/01/2042	1
31326S-UT-4	FHLMC POOL Q12394 3.000% 11/01/42		09/01/2014	Paydown		212,028	212,028	201,179	201,179	.0	10,849	.0	10,849	.0	212,028	.0	.0	.0	4,062	11/01/2042	1
31326T-JN-1	FHLMC POOL Q14769 3.500% 01/01/43		09/01/2014	Paydown		86,765	86,765	86,355	86,355	.0	410	.0	410	.0	86,765	.0	.0	.0	2,243	01/01/2043	1
31326U-UQ-3	FHLMC POOL Q25391 4.000% 03/01/44		09/01/2014	Paydown		141,248	141,248	148,664	.0	.0	(7,416)	.0	(7,416)	.0	141,248	.0	.0	.0	1,501	03/01/2044	1
31371L-CB-3	FNMA CONVENTIONAL LOAN POOL 254866 5.0		09/01/2014	Paydown		34,537	34,537	35,195	34,854	.0	(317)	.0	(317)	.0	34,537	.0	.0	.0	1,165	09/01/2018	1
31371L-JS-9	FNMA CONVENTIONAL LOAN POOL 255073 5.5		09/01/2014	Paydown		49,057	49,057	50,184	50,115	.0	(1,058)	.0	(1,058)	.0	49,057	.0	.0	.0	1,809	02/01/2034	1
31371L-M4-8	FNMA CONVENTIONAL LOAN POOL 255179 5.5		09/01/2014	Paydown		93,828	93,828	95,251	95,156	.0	(1,328)	.0	(1,328)	.0	93,828	.0	.0	.0	3,426	04/01/2034	1
31371L-MZ-9	FNMA CONVENTIONAL LOAN POOL 255176 4.5		09/01/2014	Paydown		60,600	60,600	60,363	60,382	.0	218	.0	218	.0	60,600	.0	.0	.0	1,823	04/01/2019	1
31371L-QV-4	FNMA CONVENTIONAL LOAN POOL 255268 5.0		09/01/2014	Paydown		48,218	48,218	47,163	47,209	.0	1,009	.0	1,009	.0	48,218	.0	.0	.0	1,623	07/01/2034	1
31371L-VD-8	FNMA CONVENTIONAL LOAN POOL 255412 6.0		09/01/2014	Paydown		65,573	65,573	65,593	65,580	.0	(7)	.0	(7)	.0	65,573	.0	.0	.0	2,738	10/01/2034	1
3138A4-Y5-8	FNMA POOL AH3431 3.500% 01/01/26		09/01/2014	Paydown		41,683	41,683	42,770	42,701	.0	(1,018)	.0	(1,018)	.0	41,683	.0	.0	.0	970	01/01/2026	1
3138A6-D8-0	FNMA POOL AH4626 3.500% 02/01/26		09/01/2014	Paydown		56,442	56,442	57,826	57,751	.0	(1,309)	.0	(1,309)	.0	56,442	.0	.0	.0	1,321	02/01/2026	1
3138A6-ZA-1	FNMA POOL AH5236 3.500% 01/01/26		09/01/2014	Paydown		276,399	276,399	283,137	282,650	.0	(6,250)	.0	(6,250)	.0	276,399	.0	.0	.0	6,517	01/01/2026	1
3138A7-QB-7	FNMA POOL AH5849 4.500% 02/01/41		09/01/2014	Paydown		119,986	119,986	127,410	127,213	.0	(7,227)	.0	(7,227)	.0	119,986	.0	.0	.0	3,581	02/01/2041	1
3138A8-LC-8	FNMA POOL AH6622 4.000% 03/01/41		09/01/2014	Paydown		138,429	138,429	143,149	143,149	.0	(4,720)	.0	(4,720)	.0	138,429	.0	.0	.0	3,765	03/01/2041	1
3138AA-AM-3	FNMA POOL AH8111 3.000% 03/01/26		09/01/2014	Paydown		37,202	37,202	37,994	37,994	.0	(793)	.0	(793)	.0	37,202	.0	.0	.0	740	03/01/2026	1
3138AF-XA-3	FNMA POOL AJ2472 4.500% 05/01/41		09/01/2014	Paydown		546,600	546,600	585,032	.0	.0	(38,433)	.0	(38,433)	.0	546,600	.0	.0	.0	8,717	05/01/2041	1
3138AV-P6-6	FNMA POOL AJ4044 4.000% 10/01/41		09/01/2014	Paydown		635,496	635,496	666,725	.0	.0	(31,229)	.0	(31,229)	.0	635,496	.0	.0	.0	8,654	10/01/2041	1
3138AW-RQ-8	FNMA POOL AJ4994 4.500% 11/01/41		09/01/2014	Paydown		513,597	513,597	550,994	.0	.0	(37,396)	.0	(37,396)	.0	513,597	.0	.0	.0	8,107	11/01/2041	1
3138E4-Z7-9	FNMA POOL AK0765 4.000% 03/01/42		09/01/2014	Paydown		84,715	84,715	86,685	86,685	.0	(1,970)	.0	(1,970)	.0	84,715	.0	.0	.0	2,223	03/01/2042	1
3138E7-XW-9	FNMA POOL AK3392 4.000% 02/01/42		09/01/2014	Paydown		203,650	203,650	209,817	209,817	.0	(6,167)	.0	(6,167)	.0	203,650	.0	.0	.0	5,760	02/01/2042	1
3138ED-FB-2	FNMA POOL AK8261 4.000% 04/01/42		09/01/2014	Paydown		37,351	37,351	39,605	.0	.0	(2,254)	.0	(2,254)	.0	37,351	.0	.0	.0	394	04/01/2042	1
3138EH-3V-2	FNMA POOL AL1711 4.500% 08/01/41		09/01/2014	Paydown		260,206	260,206	276,641	276,641	.0	(16,435)	.0	(16,435)	.0	260,206	.0	.0	.0	7,818	08/01/2041	1
3138EL-5L-3	FNMA POOL AL4450 4.500% 12/01/43		09/01/2014	Paydown		287,711	287,711	307,026	.0	.0	(19,397)	1,458	(20,856)	.0	287,711	.0	.0	.0	6,305	12/01/2043	1
3138EL-VR-1	FNMA POOL AL4223 4.000% 05/01/43		09/01/2014	Paydown		131,456	131,456	137,146	.0	.0	(5,712)	1,066	(6,778)	.0	131,456	.0	.0	.0	2,278	05/01/2043	1

EO5 1

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
3138LS-2M-1	FNMA POOL A02579 3.500% 05/01/42		09/01/2014	Paydown		150,275	150,275	151,843	0	0	(1,567)	0	(1,567)	0	150,275	0	0	0	1,764	05/01/2042	1
3138LT-4P-0	FNMA POOL A03529 4.000% 06/01/42		09/01/2014	Paydown		133,600	133,600	136,303	136,303	0	(2,703)	0	(2,703)	0	133,600	0	0	0	3,591	06/01/2042	1
3138LY-FM-4	FNMA POOL A07371 3.500% 09/01/42		09/01/2014	Paydown		15,066	15,066	14,991	14,991	0	75	0	75	0	15,066	0	0	0	353	09/01/2042	1
3138M5-W9-6	FNMA POOL AP2471 3.500% 08/01/42		09/01/2014	Paydown		194,197	194,197	190,580	190,580	0	3,617	0	3,617	0	194,197	0	0	0	4,291	08/01/2042	1
3138MA-B2-3	FNMA POOL AP6356 4.000% 09/01/42		09/01/2014	Paydown		217,070	217,070	223,649	223,649	0	(6,579)	0	(6,579)	0	217,070	0	0	0	5,245	09/01/2042	1
3138MN-4M-9	FNMA POOL A07127 3.500% 12/01/42		09/01/2014	Paydown		196,658	196,658	199,060	0	0	(2,402)	0	(2,402)	0	196,658	0	0	0	2,235	12/01/2042	1
3138MN-PW-4	FNMA POOL A06736 3.500% 12/01/42		09/01/2014	Paydown		59,707	59,707	59,465	59,465	0	242	0	242	0	59,707	0	0	0	1,529	12/01/2042	1
3138NY-DD-4	FNMA POOL AR1899 3.500% 01/01/43		09/01/2014	Paydown		23,126	23,126	23,032	23,032	0	94	0	94	0	23,126	0	0	0	540	01/01/2043	1
3138W4-MJ-7	FNMA POOL AR6660 3.500% 02/01/43		09/01/2014	Paydown		454,596	454,596	452,333	452,333	0	2,263	0	2,263	0	454,596	0	0	0	10,939	02/01/2043	1
3138W4-SW-2	FNMA POOL AR6832 3.500% 02/01/43		09/01/2014	Paydown		429,963	429,963	421,955	421,955	0	8,008	0	8,008	0	429,963	0	0	0	10,031	02/01/2043	1
3138W7-CT-9	FNMA POOL AR9081 3.500% 03/01/43		09/01/2014	Paydown		115,157	115,157	114,584	114,584	0	574	0	574	0	115,157	0	0	0	2,948	03/01/2043	1
3138W9-ME-7	FNMA POOL AS0356 4.000% 09/01/43		09/01/2014	Paydown		94,605	94,605	100,562	0	0	(5,957)	0	(5,957)	0	94,605	0	0	0	694	09/01/2043	1
3138WA-6D-4	FNMA POOL AS1767 4.000% 02/01/44		09/01/2014	Paydown		71,047	71,047	74,940	0	0	(3,894)	0	(3,894)	0	71,047	0	0	0	751	02/01/2044	1
3138WA-6G-7	FNMA POOL AS1770 4.000% 02/01/44		09/01/2014	Paydown		90,244	90,244	94,404	0	0	(4,160)	0	(4,160)	0	90,244	0	0	0	865	02/01/2044	1
3138WA-EQ-6	FNMA POOL AS1042 4.000% 11/01/43		09/01/2014	Paydown		198,145	198,145	208,238	0	0	(10,093)	0	(10,093)	0	198,145	0	0	0	2,011	11/01/2043	1
3138WP-GY-4	FNMA POOL AT2014 3.000% 04/01/43		09/01/2014	Paydown		26,256	26,256	25,846	0	0	410	0	410	0	26,256	0	0	0	120	04/01/2043	1
3138WS-XE-3	FNMA POOL AT5176 3.500% 05/01/43		09/01/2014	Paydown		23,272	23,272	23,171	23,171	0	101	0	101	0	23,272	0	0	0	543	05/01/2043	1
3138X3-X5-6	FNMA POOL AU4299 4.500% 09/01/43		09/01/2014	Paydown		191,441	191,441	204,378	0	0	(12,937)	0	(12,937)	0	191,441	0	0	0	2,827	09/01/2043	1
31391C-5F-8	FNMA CONVENTIONAL LOAN POOL 663346 5.5		09/01/2014	Paydown		11,730	11,730	11,709	11,701	0	29	0	29	0	11,730	0	0	0	444	09/01/2017	1
31391D-PG-2	FNMA CONVENTIONAL LOAN POOL 663823 5.5		09/01/2014	Paydown		55	55	55	55	0	0	0	0	0	55	0	0	0	2	12/01/2017	1
31400F-XS-1	FNMA CONVENTIONAL LOAN POOL 686589 5.5		09/01/2014	Paydown		137	137	137	137	0	0	0	0	0	137	0	0	0	5	02/01/2018	1
31402C-4H-2	FNMA CONVENTIONAL LOAN POOL 725424 5.5		09/01/2014	Paydown		29,233	29,233	29,393	29,380	0	(147)	0	(147)	0	29,233	0	0	0	1,067	04/01/2034	1
31402C-WR-9	FNMA CONVENTIONAL LOAN POOL 725256 5.5		09/01/2014	Paydown		20,831	20,831	20,798	20,796	0	35	0	35	0	20,831	0	0	0	712	02/01/2034	1
31402D-KH-2	FNMA CONVENTIONAL LOAN POOL 725796 5.5		09/01/2014	Paydown		3,763	3,763	3,750	3,750	0	13	0	13	0	3,763	0	0	0	136	09/01/2019	1
31402D-P7-9	FNMA CONVENTIONAL LOAN POOL 725946 5.5		09/01/2014	Paydown		41,194	41,194	40,924	40,929	0	265	0	265	0	41,194	0	0	0	1,502	11/01/2034	1
31402H-YG-0	FNMA CONVENTIONAL LOAN POOL 729811 5.0		09/01/2014	Paydown		33,380	33,380	34,350	33,858	0	(478)	0	(478)	0	33,380	0	0	0	1,106	01/01/2019	1
31402Q-SZ-5	FNMA CONVENTIONAL LOAN POOL 735036 5.5		09/01/2014	Paydown		41,568	41,568	41,260	41,266	0	302	0	302	0	41,568	0	0	0	1,535	12/01/2034	1
31402Q-WA-5	FNMA CONVENTIONAL LOAN POOL 735141 5.5		09/01/2014	Paydown		33,312	33,312	32,226	32,272	0	1,040	0	1,040	0	33,312	0	0	0	1,223	01/01/2035	1
31402R-D2-2	FNMA CONVENTIONAL LOAN POOL 735521 5.5		09/01/2014	Paydown		13,628	13,628	13,594	13,589	0	39	0	39	0	13,628	0	0	0	496	03/01/2020	1
31403C-ZZ-3	FNMA CONVENTIONAL LOAN POOL 745192 5.5		09/01/2014	Paydown		8,869	8,869	8,840	8,839	0	31	0	31	0	8,869	0	0	0	327	06/01/2020	1
31403E-FQ-5	FNMA CONVENTIONAL LOAN POOL 746375 5.0		09/01/2014	Paydown		47,314	47,314	48,644	47,899	0	(586)	0	(586)	0	47,314	0	0	0	1,577	10/01/2018	1
31403J-YU-4	FNMA CONVENTIONAL LOAN POOL 750523 5.0		09/01/2014	Paydown		3,717	3,717	3,822	3,772	0	(55)	0	(55)	0	3,717	0	0	0	125	01/01/2019	1
31403K-SM-6	FNMA CONVENTIONAL LOAN POOL 751224 5.5		09/01/2014	Paydown		4,589	4,589	4,698	4,692	0	(103)	0	(103)	0	4,589	0	0	0	168	02/01/2034	1

E052

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
31403N-HV-2	FNMA CONVENTIONAL LOAN POOL 753644 5.5		09/01/2014	Paydown		39,814	39,814	41,263	40,535	0	(721)	0	(721)	0	39,814	0	0	0	1,340	11/01/2018	1
31403R-KJ-6	FNMA CONVENTIONAL LOAN POOL 755497 5.5		09/01/2014	Paydown		3,635	3,635	3,626	3,624	0	11	0	11	0	3,635	0	0	0	139	11/01/2018	1
31403V-ED-7	FNMA CONVENTIONAL LOAN POOL 758932 5.0		09/01/2014	Paydown		9,673	9,673	9,946	9,834	0	(161)	0	(161)	0	9,673	0	0	0	323	01/01/2019	1
31403W-BU-0	FNMA CONVENTIONAL LOAN POOL 759751 5.5		09/01/2014	Paydown		3,578	3,578	3,620	3,612	0	(34)	0	(34)	0	3,578	0	0	0	133	01/01/2034	1
31403X-YW-9	FNMA CONVENTIONAL LOAN POOL 761325 5.5		09/01/2014	Paydown		6,492	6,492	6,471	6,470	0	22	0	22	0	6,492	0	0	0	242	04/01/2019	1
31404A-G5-7	FNMA CONVENTIONAL LOAN POOL 762620 5.5		09/01/2014	Paydown		4,196	4,196	4,299	4,292	0	(96)	0	(96)	0	4,196	0	0	0	157	12/01/2033	1
31404B-3G-5	FNMA CONVENTIONAL LOAN POOL 764099 5.0		09/01/2014	Paydown		47,232	47,232	47,461	47,442	0	(210)	0	(210)	0	47,232	0	0	0	1,574	03/01/2034	1
31404B-QD-7	FNMA CONVENTIONAL LOAN POOL 763752 5.5		09/01/2014	Paydown		3,609	3,609	3,608	3,607	0	2	0	2	0	3,609	0	0	0	120	01/01/2034	1
31404K-FX-5	FNMA CONVENTIONAL LOAN POOL 770682 5.0		09/01/2014	Paydown		15,458	15,458	15,533	15,526	0	(68)	0	(68)	0	15,458	0	0	0	533	04/01/2034	1
31404V-VP-0	FNMA CONVENTIONAL LOAN POOL 780122 5.0		09/01/2014	Paydown		1,408	1,408	1,377	1,381	0	27	0	27	0	1,408	0	0	0	47	05/01/2034	1
31405A-TF-0	FNMA CONVENTIONAL LOAN POOL 783650 5.0		09/01/2014	Paydown		53,159	53,159	50,999	51,047	0	2,112	0	2,112	0	53,159	0	0	0	1,764	06/01/2034	1
31405F-4E-9	FNMA CONVENTIONAL LOAN POOL 788421 5.5		09/01/2014	Paydown		633	633	631	631	0	2	0	2	0	633	0	0	0	23	09/01/2019	1
31405F-4M-1	FNMA CONVENTIONAL LOAN POOL 788428 5.5		09/01/2014	Paydown		1,001	1,001	997	997	0	4	0	4	0	1,001	0	0	0	37	09/01/2019	1
31406G-YR-4	FNMA CONVENTIONAL LOAN POOL 809920 5.5		09/01/2014	Paydown		3,558	3,558	3,590	3,587	0	(29)	0	(29)	0	3,558	0	0	0	131	03/01/2035	1
31407H-F7-6	FNMA CONVENTIONAL LOAN POOL 830990 6.0		09/01/2014	Paydown		26,797	26,797	26,635	26,638	0	159	0	159	0	26,797	0	0	0	997	08/01/2035	1
31407H-PD-2	FNMA CONVENTIONAL LOAN POOL 831220 6.0		09/01/2014	Paydown		48,226	48,226	48,844	48,806	0	(580)	0	(580)	0	48,226	0	0	0	1,921	01/01/2036	1
31407X-NV-9	FNMA CONVENTIONAL LOAN POOL 843804 6.0		09/01/2014	Paydown		55,431	55,431	55,933	55,902	0	(471)	0	(471)	0	55,431	0	0	0	2,226	11/01/2035	1
31410B-2S-2	FNMA CONVENTIONAL LOAN POOL 884685 6.0		09/01/2014	Paydown		67,795	67,795	68,473	68,427	0	(632)	0	(632)	0	67,795	0	0	0	2,382	04/01/2036	1
31410C-QT-2	FNMA CONVENTIONAL LOAN POOL 885266 6.0		09/01/2014	Paydown		562	562	567	567	0	(5)	0	(5)	0	562	0	0	0	23	05/01/2036	1
31410E-MG-0	FNMA CONVENTIONAL LOAN POOL 886959 6.0		09/01/2014	Paydown		11,649	11,649	11,601	11,601	0	47	0	47	0	11,649	0	0	0	516	06/01/2036	1
31410G-AF-0	FNMA CONVENTIONAL LOAN POOL 888406 5.0		09/01/2014	Paydown		65,359	65,359	61,877	62,013	0	3,346	0	3,346	0	65,359	0	0	0	2,174	08/01/2036	1
31410K-XB-5	FNMA CONVENTIONAL LOAN POOL 889974 5.000%		09/01/2014	Paydown		84,652	84,652	91,503	91,278	0	(6,627)	0	(6,627)	0	84,652	0	0	0	2,826	09/01/2035	1
31411H-RS-1	FNMA CONVENTIONAL LOAN POOL 908697 6.0		09/01/2014	Paydown		98,085	98,085	99,065	99,003	0	(919)	0	(919)	0	98,085	0	0	0	3,450	08/01/2036	1
31412N-6G-6	FNMA POOL 930671 4.500%		09/01/2014	Paydown		97,304	97,304	101,516	101,380	0	(4,075)	0	(4,075)	0	97,304	0	0	0	2,865	03/01/2039	1
31412P-5L-1	FNMA POOL 931551 4.500%		07/01/39	Paydown		304,522	304,522	317,702	317,311	0	(12,790)	0	(12,790)	0	304,522	0	0	0	9,015	07/01/2039	1
31412Q-E4-7	FNMA POOL 931755 4.500%		08/01/39	Paydown		77,532	77,532	83,832	0	0	(6,300)	0	(6,300)	0	77,532	0	0	0	1,125	08/01/2039	1
31416C-EZ-5	FNMA POOL 995752 4.500%		05/01/39	Paydown		294,789	294,789	308,561	285,518	0	(13,411)	0	(13,411)	0	294,789	0	0	0	8,315	05/01/2039	1
31416R-QU-0	FNMA POOL AA7666 4.500%		06/01/39	Paydown		273,997	273,997	298,544	0	0	(24,546)	0	(24,546)	0	273,997	0	0	0	1,138	06/01/2039	1
31416W-U5-9	FNMA POOL AB1503 3.000%		09/01/25	Paydown		94,456	94,456	96,466	96,466	0	(2,010)	0	(2,010)	0	94,456	0	0	0	1,913	09/01/2025	1
31416X-JD-3	FNMA POOL AB2059 3.500%		01/01/26	Paydown		308,513	308,513	316,563	316,079	0	(7,565)	0	(7,565)	0	308,513	0	0	0	7,058	01/01/2026	1
31416Y-5G-9	FNMA POOL AB3546 4.000%		09/01/31	Paydown		210,271	210,271	219,606	219,544	0	(9,273)	0	(9,273)	0	210,271	0	0	0	5,380	09/01/2031	1
31417C-5E-1	FNMA POOL AB6244 4.000%		09/01/42	Paydown		248,289	248,289	263,006	0	0	(14,716)	0	(14,716)	0	248,289	0	0	0	2,471	09/01/2042	1
31417F-4R-6	FNMA POOL AB8931 3.000%		04/01/43	Paydown		20,485	20,485	20,165	0	0	320	0	320	0	20,485	0	0	0	87	04/01/2043	1

E053

STATEMENT AS OF SEPTEMBER 30, 2014 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	For e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
31417M-H7-1	FNMA POOL AC2953 4.500% 09/01/39		09/01/2014	Paydown		460,518	460,518	493,402	0	0	(32,884)	0	(32,884)	0	460,518	0	0	0	6,978	09/01/2039	1
31417Y-4C-8	FNMA POOL MA0818 4.000% 08/01/31		09/01/2014	Paydown		293,580	293,580	302,112	301,732	0	(8,152)	0	(8,152)	0	293,580	0	0	0	7,875	08/01/2031	1
31417Y-TV-9	FNMA POOL MA0563 4.000% 11/01/30		09/01/2014	Paydown		61,661	61,661	64,306	64,295	0	(2,635)	0	(2,635)	0	61,661	0	0	0	1,628	11/01/2030	1
31418D-KG-6	FNMA POOL MA3894 4.000% 09/01/31		09/01/2014	Paydown		284,279	284,279	296,828	296,762	0	(12,483)	0	(12,483)	0	284,279	0	0	0	7,658	09/01/2031	1
31419A-4V-6	FNMA POOL AE0835 4.000% 01/01/41		09/01/2014	Paydown		183,559	183,559	189,514	189,514	0	(5,955)	0	(5,955)	0	183,559	0	0	0	4,971	01/01/2041	1
31419B-BT-1	FNMA POOL AE0949 4.000% 02/01/41		09/01/2014	Paydown		715,668	715,668	745,636	0	0	(29,969)	0	(29,969)	0	715,668	0	0	0	7,069	02/01/2041	1
718849-AP-7	PHOENIX ARIZONA CIVIC IMP 5.000% 07/0		07/01/2014	Call	100.0000	2,500,000	2,500,000	2,679,500	2,530,827	0	(30,827)	0	(30,827)	0	2,500,000	0	0	0	125,000	07/01/2019	1FE
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						18,713,645	18,713,645	19,427,938	12,269,224	0	(558,815)	4,383	(563,198)	0	18,713,645	0	0	0	476,884	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
05947U-C9-7	BANC OF AMERICA COMM MORT INC SERIES 200		09/01/2014	Paydown		183,372	183,372	172,948	182,095	0	1,277	0	1,277	0	183,372	0	0	0	6,744	11/10/2042	1FM
05947U-R5-9	BANC OF AMERICA COMM MORT INC SERIES 200		09/01/2014	Paydown		767,329	767,329	697,107	760,460	0	6,869	0	6,869	0	767,329	0	0	0	20,838	07/10/2043	1FM
079860-AG-7	BELLSOUTH CORPORATION 5.200% 09/15/14		07/15/2014	Call	100.8240	3,594,376	3,565,000	3,763,637	3,611,518	0	(17,142)	0	(17,142)	0	3,594,376	0	0	0	154,483	09/15/2014	1FE
22545L-AD-1	CREDIT SUISSE MORTGAGE CAPITAL SERIES 20		09/01/2014	Paydown		7,276	7,276	4,987	6,359	0	918	0	918	0	7,276	0	0	0	290	12/15/2039	1FM
46629Y-AC-3	JP MORGAN CHASE COMM SERIES 2007-CB18 CL		09/01/2014	Paydown		66,453	66,453	50,039	59,076	0	7,377	0	7,377	0	66,453	0	0	0	2,653	06/12/2047	1FM
466310-AC-6	JP MORGAN CHASE COMM SERIES 2007-CB20 CL		09/01/2014	Paydown		78,131	78,131	78,543	78,543	0	(412)	0	(412)	0	78,131	0	0	0	3,410	02/12/2051	1FM
50180J-AD-7	LB-UBS COMMERCIAL MORTGAGE SERIES 2007-C		09/11/2014	Paydown		6,318	6,318	4,567	5,430	0	889	0	889	0	6,318	0	0	0	209	02/15/2040	1FM
90783V-AA-3	UNION PACIFIC RAILROAD SERIES 2005-1 ET		07/02/2014	Redemption	100.0000	10,924	10,924	10,448	10,512	0	412	0	412	0	10,924	0	0	0	555	01/02/2029	1
92977Q-AD-0	WACHOVIA BANK COMMERCIAL MORTG SERIES 20		09/01/2014	Paydown		20,434	20,434	16,335	18,859	0	1,575	0	1,575	0	20,434	0	0	0	779	07/15/2045	1FM
92978P-AE-9	WACHOVIA BANK COMMERCIAL MORTG SERIES 20		09/01/2014	Paydown		7,804	7,804	5,960	6,965	0	839	0	839	0	7,804	0	0	0	275	11/15/2048	1FM
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						4,742,417	4,713,041	4,804,571	4,739,817	0	2,602	0	2,602	0	4,742,417	0	0	0	190,236	XXX	XXX
Bonds - Hybrid Securities																					
Bonds - Parent, Subsidiaries, and Affiliates																					
8399997 - Subtotals - Bonds - Part 4						34,968,095	34,831,753	36,285,347	28,363,254	0	(705,566)	4,383	(709,949)	0	34,968,095	0	0	0	1,226,637	XXX	XXX
8399999 - Subtotals - Bonds						34,968,095	34,831,753	36,285,347	28,363,254	0	(705,566)	4,383	(709,949)	0	34,968,095	0	0	0	1,226,637	XXX	XXX
Preferred Stocks - Industrial and Miscellaneous (Unaffiliated)																					
Preferred Stocks - Parent, Subsidiaries, and Affiliates																					
Common Stocks - Industrial and Miscellaneous (Unaffiliated)																					
Common Stocks - Parent, Subsidiaries, and Affiliates																					
Common Stock - Mutual Funds																					
Common Stocks - Money Market Mutual Funds																					
9999999 Totals						34,968,095	XXX	36,285,347	28,363,254	0	(705,566)	4,383	(709,949)	0	34,968,095	0	0	0	1,226,637	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues 0.

E054

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Total Cash Equivalents					0	0	0