



Global Credit Research

Rating Action

24 MAR 2009

Save as PDF **Rating Action: Grand Central Capital Trust I****Moody's downgrades FGIC to Caa3 and will withdraw ratings**

New York, March 24, 2009 -- Moody's Investors Service has downgraded to Caa3 from Caa1 the insurance financial strength (IFS) ratings of the main operating subsidiaries of FGIC Corporation, including Financial Guaranty Insurance Company and FGIC UK Limited (collectively "FGIC"). At the same time, Moody's affirmed the Ca ratings on FGIC's contingent capital securities, Grand Central Capital Trusts I-VI, and the senior debt ratings of the holding company, FGIC Corporation. Today's rating action reflects Moody's expectation of higher mortgage-related losses arising from FGIC's insured portfolio, insufficient claims paying resources to cover Moody's estimate of expected loss, and the constrained liquidity and financial flexibility of the holding company. The outlook for the ratings is negative.

Moody's also announced today that it will withdraw the ratings of FGIC and FGIC Corporation for business reasons. Please refer to Moody's Withdrawal Policy on moodys.com.

According to Moody's, today's rating action is the result of FGIC's substantial exposure to subprime mortgages and ABS CDOs, and Moody's expectation for materially higher losses on these exposures as reflected in continued adverse performance trends. The rating agency currently estimates that the expected loss for FGIC's insured portfolio now exceeds claims paying resources. The negative outlook reflects the possibility of even greater than expected losses in extreme stress scenarios, with losses possibly reaching sectors beyond mortgage related exposures as corporate and other consumer credits face a more challenging economic environment.

The Ca ratings on FGIC's contingent capital securities and on the senior debt of the holding company reflect the subordination of these securities to policyholder claims and the absence of unrestricted dividend capacity at FGIC. Moody's believes that FGIC Corporation maintains sufficient liquidity to service its debt obligations over the near term, although its longer term ability to pay debt service will likely depend upon receiving regulatory approval to upstream dividends from FGIC. Moody's considers this unlikely absent a marked improvement in FGIC's regulatory capital and risk position.

TREATMENT OF WRAPPED SECURITIES

In light of the withdrawal of FGIC's insurance financial strength ratings, Moody's ratings on securities that are guaranteed or "wrapped" by FGIC will be maintained at a level equal to the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's ratings on non-structured securities wrapped by FGIC for which there is no published underlying rating either have been, or will be, withdrawn. Furthermore, for structured securities wrapped by FGIC, if Moody's is unable to determine the underlying rating or an issuer had requested that the guaranty constitute the sole credit consideration, the rating on the security will be withdrawn. For further information please see Moody's special comment entitled: Assignment of Wrapped Ratings When Financial Guarantor Falls Below Investment Grade (May 6, 2008); and Moody's November 10, 2008 announcement entitled: Moody's Modifies Approach to Rating Structured Finance Securities Wrapped by Financial Guarantors.

LIST OF RATING ACTIONS

The following ratings have been downgraded and will be withdrawn:

Financial Guaranty Insurance Company -- insurance financial strength to Caa3 from Caa1; and

FGIC UK Limited -- insurance financial strength to Caa3 from Caa1.

The following ratings were affirmed and will be withdrawn:

Grand Central Capital Trusts I-VI -- contingent capital securities at Ca; and

FGIC Corporation -- senior unsecured debt at Ca.

The last rating action was on December 19, 2008 when the ratings of FGIC were downgraded to Caa1 with a negative outlook.

The principal methodology used in rating FGIC was Moody's Rating Methodology for the Financial Guaranty Insurance Industry, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating FGIC can also be found in the Credit Policy & Methodologies directory.

OVERVIEW OF FGIC CORPORATION

FGIC Corporation is a holding company whose primary operating subsidiaries, Financial Guaranty Insurance Corporation and FGIC UK Limited, provide credit enhancement and protection products to the public finance and structured finance markets throughout the United States and internationally. FGIC Corporation is privately owned by an investor group consisting of The PMI Group, GE, and private equity firms Blackstone, Cypress and CIVC.

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