

## Ratings

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### Financial Guaranty Insurance Co. Ratings Lowered To 'CCC'; Off Watch Neg

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#### • Current Ratings

NEW YORK (Standard & Poor's) Nov. 24, 2008--Standard & Poor's Ratings Services said today it lowered its financial strength and financial enhancement ratings on Financial Guaranty Insurance Co. (FGIC) to 'CCC' from 'BB'. The ratings are removed from CreditWatch, where they had been placed with negative implications on June 6, 2008. The outlook is negative.

In addition, Standard & Poor's lowered to 'CC' from 'CCC' the issuer credit rating on parent company FGIC Corp. The outlook is negative.

"The current loss estimates for FGIC's exposure to 2005-2007 vintages of nonprime and second-lien mortgages and related collateralized debt obligations of asset-backed securities of almost \$5 billion remain in excess of the company's claims paying resources of about \$4.2 billion," said Standard & Poor's credit analyst Robert Green. In particular, the company's unearned premium reserve has declined by about \$1 billion, mostly due to FGIC's reinsurance transaction with MBIA Insurance Corp. whereby FGIC ceded about \$166 billion of well-performing municipal par exposure to MBIA.

While loss estimates have also declined due to commutation success for several transactions, we believe the potential for regulatory intervention remains. The 'CCC' financial strength rating is, in our view, more consistent with the current scenario of a financial guarantor very dependent upon commutations in order to meet its obligations. Also, continued adverse loss development remains a possibility, and additional stress could come in the near term from FGIC's \$1.2 billion exposure to troubled Jefferson County, Ala.'s sewer revenue bonds.

In addition, FGIC's risk profile has shifted in our opinion, and the company's insured portfolio has now become more concentrated and correlated, with structured finance insurance comprising a large majority of par in force. Remaining municipal exposure is of higher risk because the reinsurance agreement with MBIA did not accept non-investment-grade credits and some other higher-risk sectors.

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