

March 28, 2008

Research Update:
**Financial Guaranty Insurance Co.
Lowered To 'BB' From 'A'**

Primary Credit Analyst:

Robert E Green, New York (1) 212-438-2013; robert_green@standardandpoors.com

Table Of Contents

Rationale

Ratings List

Research Update:

Financial Guaranty Insurance Co. Lowered To 'BB' From 'A'

Rationale

On March 28, 2008, Standard & Poor's Ratings Services lowered its financial strength rating on Financial Guaranty Insurance Co. (FGIC) six notches, to 'BB' from 'A', and its rating on holding company FGIC Corp. six notches, to 'B' from 'BBB'. Standard & Poor's also removed the ratings from CreditWatch with negative implications, where they had been placed on March 21, 2008; the outlook is negative.

At the same time, Standard & Poor's suspended its ratings on public finance and corporate transactions insured by FGIC that do not have an underlying public rating (SPUR).

In our opinion, FGIC has been slow to identify the unfavorable insured portfolio trends that have emerged and has failed to implement a strategic plan to re-establish itself as a viable operating entity capable of writing new business. The company has suspended underwriting new business in order to generate internal capital. Our increased concerns over regulatory and managerial issues have led to a downgrade to the speculative grade level. Unlike many of its peers, FGIC has been unsuccessful so far in raising new external capital. The violation of certain New York State Insurance Department risk limits, as noted in financial statements released on March 26, 2008, may further hamper these efforts. The departure of FGIC's president, announced today, may further reduce management's overall effectiveness.

While the company has reportedly advised the Insurance Department of its desire to split into a mostly municipal operation, with a second company insuring mostly structured finance transactions, progress has been slow, in our view. Most importantly, and regardless of whatever structure the company ultimately decides upon, we believe that new capital is a critical component. The recent announcement by the PMI Group, FGIC's principal owner, that it would not be contributing additional capital was a setback. As time passes, the possibility of a run-off situation for FGIC becomes greater in our opinion, and the likelihood of FGIC continuing as an operating entity capable of writing new business is waning.

Holding company FGIC Corp.'s ability to service its debt may be constrained by FGIC's statutory earned surplus deficit, resulting in FGIC being unable to upstream dividends to FGIC Corp. without insurance department approval.

Standard & Poor's believes that the credit characteristics of the underlying insured municipal, corporate, and structured transactions may be stronger than the FGIC-enhanced rating following the downgrade. For those issuers or issues

for which we currently have an underlying rating, or SPUR, Standard & Poor's will rate to the higher of the SPUR or the insurer. Standard & Poor's has suspended its ratings on those issuers or issues that do not currently carry a SPUR. The option to enter a rating process in order to obtain a SPUR remains available to issuers.

A SPUR is our opinion of the stand-alone creditworthiness of an issuer or transaction--that is, the capacity to pay debt service on a debt issue in accordance with its terms, without considering an otherwise applicable bond insurance policy. The SPUR, once assigned, remains in place regardless of what happens to the credit enhancer's rating, and is subject to surveillance by Standard & Poor's.

Lists of the ratings that have changed as a result of this action are posted at www.spviews.com. Go to the left-hand navigation bar and click on "Deals Affected" to view or download the lists.

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Financial Guaranty Insurance Co.		
Issuer Credit Rating	BB/Negative/--	A/Watch Neg/--
Financial Strength Rating		
Local Currency	BB/Negative/--	A/Watch Neg/--
Financial Enhancement Rating		
Local Currency	BB/--	A/Watch Neg/--
Financial Program		
Local Currency	BB/--	A/Watch Neg/--
FGIC Corp.		
Issuer Credit Rating		
Foreign Currency	B/Negative/--	BBB/Watch Neg/--
Senior Unsecured		
Local Currency	B	BBB/Watch Neg
FGIC UK Ltd.		
Issuer Credit Rating	BB/Negative/--	A/Watch Neg/--
Financial Strength Rating		
Local Currency	BB/Negative/--	A/Watch Neg/--
Financial Enhancement Rating		
Local Currency	BB/--	A/Watch Neg/--

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at

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