



Moody's Investors Service

Global Credit Research

Rating Action

17 JAN 2008

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## Rating Action: **MBIA Insurance Corporation**

### Moody's Reviews MBIA's Ratings for Possible Downgrade

New York, January 17, 2008 -- Moody's Investors Service has placed the Aaa insurance financial strength ratings of MBIA Insurance Corporation and its affiliated insurance operating companies on review for possible downgrade. In the same rating action, Moody's also placed the surplus note rating of MBIA Insurance Corporation (Aa2-rated) and the ratings of the holding company, MBIA, Inc. (senior debt at Aa3), on review for possible downgrade. Today's rating action reflects Moody's growing concern about the potential volatility in ultimate performance of mortgage and mortgage-related CDO risks, and the corresponding implications for MBIA's risk-adjusted capital adequacy. Prior to today's rating action, the rating outlook for MBIA was negative.

As a result of this review, the Moody's-rated securities that are "wrapped" or guaranteed by MBIA are also placed under review for possible downgrade, except those with higher public underlying ratings. A list of these securities will be made available under "Ratings Lists" at [www.moody.com/guarantors](http://www.moody.com/guarantors).

According to Stanislas Rouyer, a Moody's Senior Vice President, "The review of MBIA's ratings will reassess the firm's risk and capital positions, in light of the prospect for worsening performance in the mortgage market and the inherent volatility in RMBS and ABS CDO exposures."

Moody's review will also consider the potential future demand for financial guaranty insurance, not just in the structured finance area where transaction volumes are expected to be depressed for some time to come, but also in all other markets where the guarantors are active.

The following ratings have been placed on review for possible downgrade:

MBIA Insurance Corporation -- insurance financial strength at Aaa, and surplus notes at Aa2;

MBIA Insurance Corporation of Illinois -- insurance financial strength at Aaa;

Capital Markets Assurance Corporation -- insurance financial strength at Aaa;

MBIA UK Insurance Limited -- insurance financial strength at Aaa;

MBIA Assurance S.A. -- insurance financial strength at Aaa;

MBIA Mexico S.A. de C.V.'s -- insurance financial strength at Aaa (the firm's Aaa.mx -- national scale rating -- is affirmed);

MBIA Inc. -- senior unsecured debt at Aa3, provisional senior debt a (P) Aa3, subordinated debt at (P) A1, and provisional preferred stock at (P) A2;

North Castle Custodial Trusts I-VIII -- contingent capital securities at Aa3;

The most recent rating action on MBIA occurred on January 9, 2008, when Moody's assigned a Aa2 rating to the \$1 billion surplus note issued by MBIA Insurance Corporation and downgraded the senior unsecured ratings of parent company MBIA Inc. by one notch to Aa3.

Established in 1974, MBIA provides financial guarantees to issuers in the municipal and structured finance markets in the United States, as well as internationally. MBIA also offers various complementary services, such as investment management and municipal investment contracts.

New York  
Jack Dorer  
Managing Director  
Financial Institutions Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Stanislas Rouyer  
Senior Vice President  
Financial Institutions Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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