

## Standard & Poor's Lowers Rtg's On FGIC To 'AA' From 'AAA', Places MBIA, XLCA Rtg's On Watch Neg

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NEW YORK (Standard & Poor's) Jan. 31, 2008—Standard & Poor's Ratings Services today lowered its financial strength, financial enhancement, and issuer credit ratings on Financial Guaranty Insurance Co. to 'AA' from 'AAA' and its senior unsecured and issuer credit ratings on FGIC Corp. to 'A' from 'AA.' Standard & Poor's also placed all the above ratings on CreditWatch with developing implications.

At the same time, Standard & Poor's placed various ratings on MBIA Insurance Corp., XL Capital Assurance Inc., **XL Financial Assurance Ltd.**, and their related entities on CreditWatch with negative implications.

The ratings on various related contingent capital facilities were also affected.

These ratings actions, including the affirmations, take into account the ratings actions announced yesterday by our Structured Finance group concerning RMBS and CDO downgrades and credit watch actions.

The rating actions are the result of our most recent review of all the bond insurance companies' capital plans. Our review covered the scope of each plan relative to the projected losses for that company, the success each company has had to date in implementing its plan, and our assessment of the likelihood that the companies could implement the remaining components of their plans. This review is part of Standard & Poor's ongoing assessment of the potential subprime-related losses that these bond insurers might incur and how they are managing their capital positions to handle the losses. Further reviews will occur as circumstances warrant.

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Financial Guaranty Insurance Co.

The ratings on FGIC, FGIC Corp., and Grand Central Capital Trusts Series I-VI (a committed capital facility supported by, and for the benefit of, FGIC) were lowered and placed on CreditWatch with developing implications. The downgrade reflects our assessment that the company's evolving capital plan has meaningful execution and timing risk. In our opinion, the current plan does not fully address projected losses. The company's ability to access additional capital resources is uncertain. The CreditWatch Developing placement reflects the possibility of either positive or negative outcomes. A positive outcome would be that the company is successful in raising sufficient capital to cover projected losses, in which case the rating could be raised back to 'AAA' with a negative outlook. In this scenario, the negative outlook would reflect the ongoing uncertainty surrounding the potential for further mortgage market deterioration and the company's ability to gauge its ongoing capital needs accurately. A negative outcome would be that the company is unsuccessful in its efforts to raise capital, in which case the rating could go lower.

MBIA Insurance Corp.

The ratings on MBIA Insurance Corp., MBIA Inc., and North Castle Custodial Trusts I-VIII (a committed capital facility supported by, and for the benefit of, MBIA) were placed on CreditWatch with negative implications. Although MBIA has succeeded in accessing \$1.5 billion of additional capital, the magnitude of projected losses underscores our view that time is of the essence in the completion of capital-raising efforts.

XL Capital Assurance Inc./XL Financial Assurance Ltd.

The ratings on XLCA, XLFA, XL Capital Assurance (UK) Ltd., and Twin Reefs Pass-Through Trust (a committed capital facility supported by, and for the benefit of, XLFA) were placed on CreditWatch with negative implications. The negative CreditWatch placement reflects our assessment that there is increased execution risk regarding the company's ability to successfully implement its capital plan to offset projected losses. The company has already tabled the third-party capital-raising component of its plan due to unfavorable market conditions. We believe successful implementation of the remaining components of the capital plans will be necessary to enable the company to manage its capital relative to the projected losses.

We use CreditWatch in a changing credit situation when a rating change is not yet certain. We may place ratings on CreditWatch when an event or deviation from an expected trend has occurred or is expected, when this event or deviation increases the probability of a rating action, and when additional information is necessary to take a rating action. The greater the likelihood of a rating change, the more likely we are to use CreditWatch, with guidelines of at least a one-in-two likelihood of a rating change occurring in the short term, typically within 90 days. From time to time, events may present such significant uncertainty to an issuer's creditworthiness that a rating is placed on CreditWatch without the need to assess this threshold of potential change.

Similar to CreditWatch, an outlook assesses the potential for change and the likely direction of the rating over the intermediate term. In contrast to CreditWatch, we assign an outlook as an ongoing component of a long-term rating, where appropriate. Outlooks have a longer time horizon than CreditWatch listings and incorporate trends or risks with less certain

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implications for credit quality. The timeframe for an outlook is generally up to two years. Although Standard & Poor's ratings are based on an opinion of the most likely scenario for an issuer's future performance, the outlook addresses what direction we believe the rating may take if our most likely scenario does not hold.

Lists of the insured ratings that have changed as a result of these actions are posted at [www.spviews.com](http://www.spviews.com). Go to the left hand navigation bar and click on "Deals Affected" to view or download the lists. Our analysis of the impact of the ratings actions announced today is ongoing; we may publish additional ratings changes.

***Ratings List***

**RATINGS LOWERED:**

	TO	FROM
Financial Guaranty Insurance Co. Financial strength, financial enhancement and issuer credit	AA/WatchDev	AAA/WatchNeg
FGIC U.K. Ltd. Financial strength, financial enhancement and issuer credit	AA/WatchDev	AAA/WatchNeg

FGIC Corp. Senior unsecured and issuer credit	A/WatchDev	AA/WatchNeg
Grand Central Capital Trust Series I		
Grand Central Capital Trust Series II		
Grand Central Capital Trust Series III		
Grand Central Capital Trust Series IV		
Grand Central Capital Trust Series V		
Grand Central Capital Trust Series VI Preferred stock	A/WatchDev	AA/WatchNeg

**ON CREDITWATCH NEGATIVE:**

Capital Markets Assurance Corp. Financial strength, issuer credit	AAA/WatchNeg	AAA/Negative
MBIA Insurance Corp. Financial strength, financial enhancement and issuer credit	AAA/WatchNeg	AAA/Negative
MBIA U.K. Insurance Ltd. Financial strength, financial enhancement	AAA/WatchNeg	AAA/Negative
MBIA Insurance Corp. of Illinois Financial strength and issuer credit	AAA/WatchNeg	AAA/Negative
MBIA Assurance S.A. Financial strength, financial enhancement and issuer credit	AAA/WatchNeg	AAA/Negative

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MBIA Inc.	
Senior unsecured and issuer credit	AA-/WatchNeg AA-/Negative
North Castle Custodial Trust I	
North Castle Custodial Trust II	
North Castle Custodial Trust III	
North Castle Custodial Trust IV	
North Castle Custodial Trust V	
North Castle Custodial Trust VI	
North Castle Custodial Trust VII	
North Castle Custodial Trust VIII	
Preferred stock	AA/WatchNeg AA
XL Capital Assurance Inc.	
XL Financial Assurance Ltd.	
Financial strength, financial enhancement and issuer credit	AAA/WatchNeg AAA/Negative
XL Capital Assurance (UK) Ltd.	
Financial strength, financial enhancement and issuer credit	AAA/WatchNeg AAA/Negative
Twin Reefs Pass-Through Trust	
Senior unsecured	AA-/WatchNeg AA-
RATINGS AFFIRMED:	
ACA Financial Guaranty Corp.	
Financial strength, financial enhancement and issuer credit	CCC/WatchDev
Ambac Assurance Corp.	
Ambac Assurance U.K. Ltd.	
Connie Lee Insurance Co.	
Financial strength, financial enhancement and issuer credit	AAA/WatchNeg
Ambac Financial Group Inc.	
Senior unsecured and issuer credit	AA/WatchNeg
Subordinated hybrid security	A+/WatchNeg
Assured Guaranty Corp.	
Financial strength, financial enhancement and issuer credit	AAA/Stable
Assured Guaranty (UK) Ltd.	
Financial strength, financial enhancement and issuer credit	AAA/Stable
CIFG Guaranty	
CIFG Europe	

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CIFG Assurance North America Inc. Financial strength, financial enhancement and issuer credit	AAA/Negative
Financial Security Assurance Inc. Financial strength, financial enhancement and issuer credit	AAA/Stable
Financial Security Assurance (UK) Ltd. Financial strength, financial enhancement and issuer credit	AAA/Stable
Financial Security Assurance Holdings Ltd. Issuer credit	AA/Stable
Senior unsecured	AA
Junior subordinated hybrid security	A+
Radian Asset Assurance Inc. Financial strength, financial enhancement and issuer credit	AA/Stable
PMI Guaranty Co. Financial strength, financial enhancement and issuer credit	AA/Negative

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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