

Fitch Places CIFG's 'AAA' IFS Rating on Watch Negative [Ratings](#)

05 Feb 2008 3:43 PM (EST)

Fitch Ratings-New York-05 February 2008: Fitch Ratings has placed the following Insurer Financial Strength (IFS) ratings on Rating Watch Negative:

CIFG Guaranty
CIFG Assurance North America, Inc.
CIFG Europe
--IFS 'AAA'.

This action on CIFG Guaranty (CIFG) follows Fitch's announcement today that it will be updating certain modeling assumptions in its ongoing analysis of the financial guaranty industry (see separate press release titled 'Fitch Announces Next Phase of Capital Analysis of Financial Guarantors,' available at 'www.fitchratings.com'). Fitch believes it is possible that modeled losses for structured finance collateralized debt obligations (SF CDOs) could increase materially as a result of these updated projections. The need to update loss assumptions at this time reflects the highly dynamic nature of the real estate markets in the U.S., and the speed with which adverse information on underlying mortgage performance is becoming available.

Fitch expects that both simulated capital model losses and expected losses will increase materially for CIFG because of the company's significant SF CDO exposure within its insured portfolio, which was \$9.2 billion as of Sept. 30, 2007. Fitch believes that a sharp increase in expected losses would be especially problematic for the ratings of financial guarantors exposed to this asset class, including CIFG - even more problematic than previously discussed increases in 'AAA' capital guidelines, which has been the primary focus of recent analysis of the industry. Expected losses reflect an estimate of future claims that Fitch believes would ultimately need to be paid by a guarantor. A material increase in claim payments would be inconsistent with 'AAA' rating standards for financial guarantors, and could potentially call into question the appropriateness of 'AAA' ratings for those affected companies, regardless of their ultimate capital levels.

While CIFG has benefited from strong parental support through its shareholders Caisse Nationale des Caisses d'Epargne et Prevoyance (CNCE) and Banque Federale des Banques Populaires (BFBP), which have provided a capital infusion of \$1.5 billion to meet its prior modeled capital shortfall, Fitch believes that CIFG's current capital position may be insufficient to cover the required capital at the 'AAA' rating threshold as a result of the revised loss assumptions.

CIFG Guaranty, CIFG Assurance North America, Inc., and CIFG Europe are subsidiaries of CIFG Holding. CIFG Holding is directly owned by Banque Federale des Banques Populaires and Caisse Nationale des Caisses d'Epargne et Prevoyance, two large French banking groups.

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