

**Rating Action: MBIA Insurance Corporation**

**Moody's downgrades MBIA Inc. to Ba3, removes National from review for upgrade**

New York, June 25, 2009 -- Moody's Investors Service has downgraded to Ba3, from Ba1, the senior debt rating of MBIA, Inc.; the outlook is negative. Additionally, the rating agency confirmed the Baa1 rating of National Public Finance Guarantee Corporation (National) with a developing outlook, concluding a review for possible upgrade initiated on February 18, 2009, and changed the rating outlook of MBIA Insurance Corporation (MBIA Corp.) and supported insurance subsidiaries to negative. These rating actions reflect further expected insured portfolio deterioration at MBIA Insurance Corporation and the uncertainty stemming from ongoing litigation challenging MBIA's recent restructuring.

Today's rating actions have implications for the various transactions wrapped and reinsured by National Public Finance Guaranty Corporation as discussed later in this press release.

**RATIONALE FOR RATING ACTIONS**

Moody's said that the confirmation of National's rating with a developing outlook, despite its strong capital profile and operational infrastructure, reflects the uncertainty caused by ongoing litigation challenging the recent restructuring of the group, and the extended timeframe over which such uncertainty may persist. Creditors and counterparties have sued MBIA, requesting that the February 17, 2009 restructuring of the group that led to National's capitalization with some of MBIA Insurance Corp's resources be reversed. Moody's noted that National's ability to write new business may be substantially constrained while the litigation remains outstanding, given the uncertainty as to its outcome. A resolution of the litigation that provides clarity on the separation of National from MBIA Corp., without reducing the current level of financial resources at National, could lead to an upgrade of National's rating in the future. On the other hand, a resolution that jeopardizes the separation and/or diminishes the financial integrity of National could lead to a downgrade; this potential for divergent outcomes is reflected in Moody's developing rating outlook for National.

The downgrade of MBIA Inc.'s senior debt rating to Ba3, and downgrade of MBIA Insurance Corporation's surplus notes and preferred stocks ratings reflects the continued severe stress faced by MBIA Insurance Corp as a result of its exposure to ABS CDOs and RMBS securities. Taking account of recent performance experience, Moody's updated estimates of losses for ABS CDOs show substantial increases from prior estimates. Estimated losses on direct RMBS exposures have also increased, though not as significantly. Moody's expected losses for ABS CDOs and RMBS now approximate 19% and 14.5%, respectively, of the associated par outstanding, with losses under a stress scenario materially above those levels.

Absent better loss development than currently anticipated by the rating agency, Moody's believes that MBIA will likely pursue a negotiated settlement of some of these exposures under terms similar to a distressed exchange. There is, however, meaningful uncertainty about the actual losses that MBIA will incur due in part to the lack of consensus about the direction of the economy and its effect on portfolio credit performance. The rating agency noted that MBIA's loss reserves are substantially lower than Moody's expected loss on ABS CDOs and RMBS transactions. MBIA is suing some mortgage lenders for breach of representations and warranties and Merrill Lynch for fraudulent conduct in arranging ABS CDO transactions, both actions could potentially materially reduce losses to MBIA.

The downgrade of MBIA Inc.'s senior debt rating to Ba3 also reflects the risks stemming from the ongoing litigations on the group's restructuring, said Moody's. A resolution of such litigations in favor of the plaintiffs could potentially limit MBIA Inc's access to National's resources or further link MBIA Inc. to the fortunes of MBIA Insurance Corporation.

**TREATMENT OF WRAPPED TRANSACTIONS**

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's special comment entitled "Assignment of Wrapped Ratings When Financial Guarantor Falls Below Investment Grade" (May, 2008); and Moody's November 10, 2008 announcement entitled "Moody's Modifies Approach to Rating Structured Finance Securities Wrapped by Financial Guarantors".

In light of today's confirmation of National Public Finance Guarantee Corporation's Baa1 rating, Moody's will also confirm the rating of securities wrapped by National and reinsured municipal securities of MBIA Insurance Corporation, unless they have higher published underlying ratings.

The FGIC policies reinsured by National Public Finance Guaranty Corporation are unaffected by today's rating action as the reinsurance agreement does not qualify for credit substitution under Moody's methodology because it allows FGIC to terminate the reinsurance agreement without a final payment being made by MBIA.

#### LIST OF RATING ACTIONS

The following ratings have been downgraded, with a negative outlook:

MBIA Inc. -- senior unsecured debt at Ba3, from Ba1, provisional senior debt at (P) Ba3, from (P) Ba1, provisional subordinated debt at (P) B1, from (P) Ba2, and provisional preferred stock at (P) B2, from (P) Ba3;

MBIA Insurance Corporation -- surplus notes to Caa3, from Caa2; and preferred stock to Ca, from Caa3;

The following rating has been confirmed with a developing outlook:

National Public Finance Guarantee Corporation (previously, MBIA Insurance Corporation of Illinois) -- Baa1 insurance financial strength, previously under review for possible upgrade.

The outlook on the following firms was changed to negative:

MBIA Insurance Corporation -- insurance financial strength at B3;

Capital Markets Assurance Corporation -- insurance financial strength at B3;

MBIA UK Insurance Limited -- insurance financial strength at B3;

MBIA Mexico S.A. de C.V. -- insurance financial strength at B3; and national scale insurance financial strength at B1.mx;

The last rating action was on February 18, 2009 when Moody's adjusted MBIA's ratings as a result of the firm's restructuring.

The principal methodology used in rating MBIA was Moody's Rating Methodology for the Financial Guaranty Insurance Industry, which can be found at [www.moody.com](http://www.moody.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating MBIA can also be found in the Credit Policy & Methodologies directory.

#### OVERVIEW OF MBIA

MBIA Inc. (NYSE: MBI) 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  
Stanislas Rouyer  
Senior Vice President  
Financial Institutions Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S (MIS) CURRENT OPINIONS OF THE**

**RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at [www.moody's.com](http://www.moody's.com) under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."