CIFG
TRIPLE-A FINANCIAL GUARANTY

LETTER OF COMMENT NO. 50

June 18, 2007

Mr. Lawrence Smith, Director
Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 1530-100

Dear Mr. Smith,

This letter is submitted on behalf of CIFG Holding and its subsidiaries in response to the recent Financial Accounting Standards Board's ("FASB" or "Board") Exposure Draft "Accounting for Financial Guarantee Insurance Contracts" ("the ED"). CIFG Holding and its subsidiaries constitute a monoline financial guaranty group ("CIFG Group" or the "Company") engaged solely in the financial guaranty business. The consolidated group consists of CIFG Holding, CIFG Guaranty, CIFG Europe, CIFG Services, Inc. and CIFG Assurance North America, Inc. ("CIFG NA"). CIFG NA and CIFG Europe are monoline financial guaranty companies, and CIFG Guaranty is a reinsurance company that reinsures financial guaranty business from the group, and occasionally cedes some business to third-party reinsurers. CIFG NA is licensed to transact financial guaranty insurance in 45 U.S. states, the District of Columbia, the U.S. Virgin Islands and the Commonwealth of Puerto Rico. CIFG Europe is domiciled in France, and is licensed to conduct business in 20 member states of the European Union. CIFG Holding and its subsidiaries issue both U.S. GAAP and IFRS financial statements.

CIFG Holding is owned by Natixis, a large French financial institution with activities in banking, asset management, capital markets and other wholesale banking activities. The consolidated financial statements of the CIFG Group are prepared under U.S. GAAP, and in addition, under International Financial Reporting Standards for purposes of consolidation with the IFRS-basis financial statements of Natixis.

CIFG NA is an active member of the Association of Financial Guaranty Insurers ("AFGI").

Summary

CIFG agrees that the accounting treatment for claim liabilities should be addressed due to the diversity in practice in the industry, however there are some questions within the ED that need to be addressed in that regard.

Further, the Company believes that there are significant conceptual and operational issues presented by the ED, particularly with regard to revenue recognition and balance sheet reporting. In summary, these conceptual difficulties conflict with certain provisions in current U.S. GAAP and IFRS guidance, and do not appropriately reflect the economics of transactions entered into by financial guarantors. Premium recognition practices in the financial guaranty industry have been consistent; there has not been diversity in practice. The operational and system changes that will be required if the ED is issued in its current form for revenue recognition and balance sheet reporting will be extensive and would impose a

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significant cost burden to implement. An implementation date of January 2008 is not reasonable given the magnitude of the work required to make these system modifications.

The concerns noted above have been outlined in detail in a comment letter to FASB submitted by AFGI. CIFG fully supports those opinions expressed in AFGI's comment letter, however, we would emphasize in particular our strong view that the achievement of convergence in accounting for financial guarantors between U.S. GAAP and IFRS should be a paramount consideration and is of particular interest to all constituents to the ED: preparers, users and auditors. While we agree that there is divergence in practice with respect to claim recognition and support the FASB's efforts to reduce diversity in practice in this area, the lack of divergence in revenue recognition practices, coupled with the ongoing IASB project on Insurance strongly argues that the FASB should defer modifying existing US GAAP until there is clarity and convergence with IFRS. We encourage the FASB and IASB to undertake this project jointly and would welcome the opportunity to participate in that process. We elaborate on this point below.

Desire for Convergence

The financial guaranty industry has its roots in the U.S., however, not all financial guarantors prepare strictly U.S. GAAP financial statements. CIFG prepares both U.S. GAAP and IFRS-basis financial statements, the latter for consolidation with our shareholder who follows IFRS norms.

The markets for financial guaranty products extend beyond the U.S. markets, and indeed, many observers would suggest that growth in the financial guaranty industry is likely to be strong in non-U.S. markets. As the industry expands globally, investors in obligations guaranteed by monoline financial guaranty companies will benefit from transparent and consistent accounting policies across different markets. Thus, convergence of U.S. GAAP and IFRS accounting policies would serve all constituents (preparers, users and auditors).

The FASB and the International Standards Board ("IASB") have been collaborating on a project to obtain convergence of accounting standards internationally. The IASB recently issued a discussion paper titled "Preliminary Views on Insurance Contracts" (the "DP"), which is the second phase in the IASB's project on insurance accounting. This DP sets forth preliminary views on measurement and recognition of insurance contracts. The IASB expects this new standard will be in place in 2010; however an effective date has not yet been established. The Company believes it would put an unfair burden on financial guarantors to proceed with the implementation of the new accounting model as presented in the ED, because in the near future the implementation of another potential accounting model may occur as a result of the convergence of U.S. GAAP in contemplation of the IASB's project. This would also be a disservice to our investors and users of financial guarantor financial statements, as well as a burden to the preparers and auditors of financial statements for financial guaranty industry participants. If the ED is adopted as proposed, a lack of transparency will exist when comparing IFRS and U.S. GAAP financial statement results because of the difference in the accounting models until convergence is achieved. Furthermore, implementing and changing accounting models will require systems modifications and operational changes that will require that significant and potentially worthless costs be incurred. It would seem an unnecessary burden to require financial guarantors to incur those costs twice in a relatively short period of time with no real observable benefit to the users of the financial statements.

CIFG urges the FASB to defer consideration of the entire ED until there is convergence with the IASB's insurance project or at a minimum to defer just the revenue recognition and balance sheet reporting issues until the IASB project is concluded.

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Other Issues
The Company believes that the ED should also address:

- Reinsurance accounting, including but not limited to the recognition of ceded premium written, prepaid reinsurance premiums, ceded premiums payable, ceding commissions on future installments, impact of future ceding commissions on DAC and the establishment of reinsurance recoverable on loss reserves.
- Impact on deferred tax attributes, and consistency of the ED with FAS 109 in the recognition of deferred tax assets and liabilities.
- Foreign exchange treatment for future installments recorded in UPR and in premiums receivable. Currently UPR is recorded at the historical rate, and premiums receivable are established at the spot rate. Should future installments included in UPR and premiums receivable be recorded at different rates?

Conclusion
CIFG supports the views expressed in AFGI's comment letter and believes that the ED in its current form presents many technical inconsistencies and difficulties as previously noted. We are particularly concerned that the ED will result in further ***divergence*** in accounting between U.S. GAAP and IFRS and, as a result, the Company believes that the Board should defer the implementation of this ED until the FASB and IASB have an opportunity to jointly expose an accounting model for financial guaranty, ensuring convergence between the two bases of accounting. Alternatively, the Company urges the FASB to consider adopting a standard aimed at reducing diversity in practice for recognition of claim liability provisions, consistent with the original intent of the ED. The effective date of January 1, 2008 would be reasonable for claims recognition but not for the system and operational modifications required for revenue recognition and other aspects of the proposed ED.

Respectfully,

James O'Keefe
Chief Financial Officer
CIFG Group

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