

**Ambac**

First Guaranteed Asset-Backed Securities Issued in Mexican Capital Markets

Ambac Insures Su Casita Construction Bridge Loan Securitization

MXP 875,000,000 (Series A Certificados Bursátiles Fiduciarios)
MXP 250,000,000 (Liquidity Facility)

Su Casita Construction Bridge Loan Trust 2006

Securitization of Construction Bridge Loans to Developers of Affordable Housing in Mexico

In the Mexican capital markets, the issuance of asset-backed securities has been growing at a robust pace over the last few years. Until recently, all domestic securitizations had been offered on an unwrapped basis. In September 2006, Ambac emerged as the first monoline insurer to fully guarantee a domestic securitization by wrapping MXP875 million (Mexican peso-denominated) of a construction bridge loan-backed issuance for Hipotecaria Su Casita S.A. de C.V. (Su Casita), a housing finance company known by the Spanish acronym "Sofol." The transaction also includes a MXP250 million liquidity facility, also guaranteed by Ambac, which allows Su Casita to maximize funding available through the securitization vehicle. The groundbreaking deal was successfully sold into the Mexican market on September 14, 2006.

The construction bridge loan asset class has been among the most active in the Mexican securitization market. The growth of this asset class has been fueled by Mexico's severe deficit of housing, favorable demographics and strong governmental support for the housing sector. Expanding housing opportunities remains a top priority for the government and, over the past ten years, Mexico has developed a mortgage market that meets local needs and enjoys broad political and legal support. Sofoles, such as Su Casita, provide financing in the form of construction bridge loans to the developers of affordable housing in the country. Government mortgage providers, directly or through Sofoles and banks, offer financing for homebuyers that effectively repays the construction bridge loans once homes are built and sold.

In 2005, Ambac became the first monoline to wrap construction bridge loan-backed bonds, completing two cross-border transactions including a US\$100 million issuance for Su Casita, which was the first cross-border issuance of a Mexican construction bridge loan securitization. The recent transaction is Ambac's third in the asset class and the first wrapped peso-denominated securitization of construction bridge loans in the domestic Mexican markets.

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