

NEWS RELEASE

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FirstCity Financial Corporation Completes Purchase of SBA Lending Franchise

Waco, Texas December 8, 2006... FirstCity Financial Corporation (NASDAQ FCFC) today announced that it has completed its purchase of certain loans, servicing rights and the lending authority granted by the Small Business Administration to originate and service SBA 7(a) loans. Details of the transaction are contained in an 8-K <http://www.fcfc.com/secfilings.htm> filed with the SEC today.

The purchase marks the establishment of FirstCity's SBA lending initiative through the creation of American Business Lending, Inc., an affiliate of FirstCity. American Business Lending will be headed by veteran SBA bankers Charles P. Bell and Joe N. Smith and will be headquartered in Dallas, Texas.

"Our affiliation with FirstCity Financial provides a strong financial foundation for American Business Lending. We look forward to the opportunities to leverage FirstCity's strengths to grow ABL into a premier SBA lender operating nationwide," said Charlie Bell Chief Executive Officer of American Business Lending.

James T. Sartain, CEO and President of FirstCity added, "FirstCity is fortunate to acquire this proven SBA lending platform, coupled with the talents and expertise of Charlie Bell and Joe Smith and their team. The addition of American Business Lending typifies FirstCity's long term strategy to invest in complimentary business platforms which utilize existing skills and competencies, to grow the earning asset base of FirstCity."

Certain statements in this press release, which are not historical in fact, including, but not limited to, statements relating to future performance, may be deemed to be forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, performance or achievements, and may contain the words "expect", "intend", "plan", "estimate", "believe", "will be", "will continue", "will likely result", and similar expressions. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. There are many important factors that could cause the Company's actual results to differ materially.

These factors include, but are not limited to, uncertainty of and delays in regulatory approvals and the Company's ability to satisfy certain conditions for such regulatory approval, risks related to the start up of a business, including American Business Lending's ability to implement its business plan and strategy to generate sufficient revenues necessary to avoid losses common to start up companies, the availability of loans to be acquired in the SBA lending market, economic conditions in the SBA lending markets, assumptions underlying loan performance, general economic conditions, changes (legislative and otherwise) in the banking industry and in particular as applicable to SBA lenders; factors more fully discussed and identified under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," risk factors and other risks identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 16, 2006, as well as in the Company's other filings with the SEC.

Many of these factors are beyond the Company's control. In addition, it should be noted that past financial and operational performance of the Company is not necessarily indicative of future financial and operational performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

The forward-looking statements in this release speak only as of the date of this release. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

FirstCity Financial Corporation is a diversified financial services Company with operations dedicated to portfolio asset acquisition and resolution with offices in the U.S. and with affiliate organizations in France and Mexico. Its common (FCFC) stock is listed on the NASDAQ National Market System. For more information, visit www.fcfc.com