

NEWS RELEASE

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FirstCity Servicing Receives Rankings Upgrade as Special Servicer Ranked "Above Average" By Standard and Poor's Ratings Services

Waco, Texas October 16, 2008..... FirstCity Financial Corporation (NASDAQ:FCFC) announced today that Standard & Poor's Ratings Services upgraded its commercial finance special servicer ranking on FirstCity Servicing Corp., a wholly owned subsidiary of FirstCity Financial, to "Above Average" from "Average". FirstCity Financial purchases and manages domestic and international portfolios of distressed assets, consisting of performing and nonperforming loans purchased for its own account as well as in partnerships with outside investors. The Company also provides third party servicing for outside clients.

Factors cited in the ranking upgrade included streamlined operations contributing to high recovery rates for specially-serviced assets, enhancements to asset management systems, well-controlled asset management processes, strengthened procedures for loan and REO management oversight and a highly-experienced professional staff with low turnover.

James T. Sartain, President and CEO of FirstCity Financial said, "This upgrade is significant for FirstCity as it affirms the strength of our servicing platform which, coupled with our strong investment discipline, drives the earnings power of our company. In the current economic climate, a high ranking assures that FirstCity is well positioned to participate in the abundant opportunities in the servicing and resolution of distressed assets."

FirstCity Financial Corporation is a diversified financial services company with operations dedicated primarily to portfolio asset acquisition and resolution with offices in the U.S. and with affiliate organizations in Europe and Latin America. FirstCity common stock is listed on the NASDAQ Global Select Market (NASDAQ: FCFC).

Forward-Looking Statements

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 within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. 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," "indication" 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, the performance of the Company's subsidiaries and affiliates; availability of portfolio assets and other investment opportunities; the Company's ability to consummate portfolio acquisitions and other investment transactions on acceptable terms; assumptions underlying portfolio asset performance; risks associated with start up of new businesses and entry into new foreign markets, risks associated with foreign operations; currency exchange rate fluctuations; interest rate risk; credit risk; risks of declining value of loans, collateral or assets; the degree to which the Company is leveraged; the Company's continued need for financing; availability of the Company's credit facilities; ability to obtain additional financing from the Bank of Scotland or any other lender; the impact of certain covenants in loan agreements of the Company and its subsidiaries; the ability of the Company to utilize net operating loss carry forwards; general economic, business and market conditions; foreign social and economic conditions; changes (legislative and otherwise) in the asset securitization industry; regulatory and accounting changes; fluctuation in residential and commercial real estate values; capital markets conditions, including the markets for asset-backed securities; uncertainties of any litigation arising from discontinued operations; factors more fully discussed and identified under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations;" and risk factors and other risks identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 17, 2008, 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