

NEWS RELEASE

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FirstCity Financial (NASDAQ: FCFC) Provides Update on Industrial Loan Company Initiative

Waco, Texas February 2, 2007..... FirstCity Financial Corporation today announced that the FDIC Board of Directors has voted to extend for one year an earlier imposed moratorium for approval of industrial loan company charters owned by commercial companies. The FDIC Board of Directors further determined to move forward with applications by financial companies.

FirstCity President and CEO James T. Sartain said, “Despite the FDIC ruling which classified FirstCity’s application as one by a commercial rather than a financial company, FirstCity will continue to aggressively pursue approval of its application. We are working with representatives of the FDIC to amend our application or otherwise make clarifications for it to be considered a ‘financially owned concern’.”

Full details of the FDIC Board of Directors’ decision is detailed in a press release which can be accessed at <http://www.fdic.gov>.

FirstCity Financial 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 stock is listed on the NASDAQ Global Select Market under the symbol “FCFC.”