

# NEWS RELEASE

Contact: Suzy W. Taylor  
866-652-1810



## FirstCity Financial Corporation (NASDAQ FCFC) Announces SBA Lending Initiative

**Waco, Texas July 7, 2006...** FirstCity Financial Corporation (NASDAQ FCFC) today announced that it has entered into an asset purchase agreement with Amresco SBA Partners Inc. and NCS I, LLC, to purchase a Small Business Lending Company franchise granted by the Small Business Administration to originate and service SBA 7(a) loans. FirstCity's initial investment in the SBA initiative will be approximately \$3 million. 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. The transaction is subject to the approval of the Small Business Administration. FirstCity intends to file an application for the transfer of the SBA license in approximately 10 days.

"The acquisition of this valuable SBA lending license and the formation of American Business Lending is an exciting opportunity for FirstCity to expand its asset origination capabilities", said FirstCity's President and CEO, James T. Sartain. "The opportunity to acquire this proven SBA lending platform, coupled with the talents and expertise of a respected management team fits perfectly with our long term strategy to invest in complimentary business platforms which utilize existing skills and competencies to grow the earning asset base of FirstCity."

The SBA loan product is a highly desirable product in the marketplace due to the government guarantee of up to 75 percent of the loan balance. Typically, loans are variable rate loans issued at Prime plus a spread ranging from 1.50 to 2.75 percent. Loans are aggregated by the originator and the guaranteed portion is sold into the market at a premium to par. The unguaranteed portion of the loan is either held by the originator or securitized.

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](http://www.fcfc.com)