

Exhibit D

Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
(212) 312-3000
(800) 352-0001

Financial Guaranty Insurance Policy

Issuer: Morgan Stanley ABS Capital I Inc.
Trust 2007-NC4

Policy Number: 07030039
Control Number: 0010001

Insured Obligations:

\$875,825,000 in aggregate certificate principal balance of Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 Mortgage Pass Through Certificates, Series 2007-NC4, Class A-1 Certificates, Class A-2a Certificates, Class A-2b Certificates, Class A-2c Certificates and Class A-2d Certificates (the "Insured Certificates")

Trustee: Deutsche Bank National Trust Company

Securities Administrator: Wells Fargo Bank, National Association

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the right of Financial Guaranty to receive monthly premiums pursuant to the Pooling and Servicing Agreement (as defined below) and the Insurance Agreement referred to therein, and subject to the terms of this Financial Guaranty Insurance Policy, hereby unconditionally and irrevocably agrees to pay each Insured Amount to the Securities Administrator on behalf of the Trustee named above or its successor, on behalf of the Insured Certificateholders, except as otherwise provided herein with respect to Preference Amounts. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Pooling and Servicing Agreement as in effect and executed on the date hereof without giving effect to any subsequent amendments or modifications thereto unless such amendments or modifications have been approved in writing by Financial Guaranty.

For the purposes of this Financial Guaranty Insurance Policy, the following terms used herein shall have the meanings assigned to them below.

"Insured Amount" means, with respect to the Insured Certificates, (1) any Deficiency Amount, and (2) any Preference Amount.

"Deficiency Amount" means, with respect to each Class of Insured Certificates, an amount, if any, equal to (a) for any Distribution Date prior to the Final Scheduled Distribution Date, the excess, if any, of the Accrued Certificate Interest on such Class of Insured Certificates for such Distribution Date over all amounts available (including, without limitation, from Available

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Funds and any Net Swap Receipts received under the Interest Rate Swap Agreement) to pay Accrued Certificate Interest on such Class of Insured Certificates on such Distribution Date in accordance with the priority of payments set forth in the Pooling and Servicing Agreement, (b) on any Distribution Date after the date that the Class Certificate Balance of each Class of Subordinate Certificates has been reduced to zero, at the sole option and discretion of Financial Guaranty, an amount equal to the excess, if any, of (i) the aggregate Class Certificate Balances of the Insured Certificates on that Distribution Date (after giving effect to all payments of principal on that Distribution Date) over (ii) the aggregate Stated Principal Balance of the Mortgage Loans on that Distribution Date and (c) on the Final Scheduled Distribution Date, the sum of (i) the amount set forth in clause (a) above and (ii) the amount equal to the outstanding Class Certificate Balance of such Class of Insured Certificates on the Final Scheduled Distribution Date, after giving effect to the payment of all amounts actually available to be paid on the Insured Certificates on the Final Scheduled Distribution Date from all sources other than this Financial Guaranty Insurance Policy.

“Final Scheduled Distribution Date” means, with respect of each Class of Insured Certificates, the Distribution Date in May 2037.

“Insured Certificateholder” means, as to a particular Insured Certificate, the Person, other than the Depositor, the Sponsor, the Interest Rate Swap Provider, the Master Servicer, the Securities Administrator, the Trustee, the Servicer, or any subservicer retained by the Servicer or any affiliate of any such Person who, on the applicable Distribution Date, is entitled under the terms of such Insured Certificate to a distribution on such Insured Certificate.

“Insurer Optional Parity Deficit Draw” means the amount, if any, calculated in accordance with clause (b) of the definition of “Deficiency Amount”

Financial Guaranty will pay a Deficiency Amount with respect to the Insured Certificates by 12:00 noon (New York City time) in immediately available funds to the Securities Administrator (which shall receive such Deficiency Amount on behalf of the Trustee for the benefit of the Insured Certificateholders) on the later of (i) the second Business Day following the Business Day on which Financial Guaranty shall have received Notice that a Deficiency Amount is due in respect of the Insured Certificates and (ii) the Distribution Date on which the Deficiency Amount is payable to the Insured Certificateholders pursuant to the Pooling and Servicing Agreement, for disbursement to the Insured Certificateholders in the same manner as other payments with respect to the Insured Certificates are required to be made. Any Notice received by Financial Guaranty after 12:00 noon New York City time on a given Business Day or on any day that is not a Business Day shall be deemed to have been received by Financial Guaranty on the next succeeding Business Day. Notwithstanding the foregoing, any Insurer Optional Parity Deficit Draw may be made at the sole option and discretion of Financial Guaranty.

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Upon the payment of any Insured Amount hereunder, Financial Guaranty shall be fully subrogated to the rights of the Insured Certificateholders to receive the amount so paid. Financial Guaranty's obligations with respect to the Insured Certificates hereunder with respect to each Distribution Date shall be discharged to the extent funds consisting of the related Insured Amount are received by the Securities Administrator on behalf of the Trustee for the benefit of the Insured Certificateholders for payment to such Insured Certificateholders, as provided in the Pooling and Servicing Agreement and herein, whether or not such funds are properly applied by the Securities Administrator.

If any portion or all of any amount that is insured hereunder that was previously paid to an Insured Certificateholder is recoverable and sought to be recovered from such Insured Certificateholder as a voidable preference by a trustee in bankruptcy pursuant to the U.S. Bankruptcy Code, pursuant to a final non-appealable order of a court exercising proper jurisdiction in an insolvency proceeding (a "Final Order") (such recovered amount, a "Preference Amount"), Financial Guaranty will pay on the guarantee described in the first paragraph hereof, an amount equal to each such Preference Amount by 12:00 noon (New York City time) on the second Business Day following receipt by Financial Guaranty of (w) a certified copy of the Final Order, (x) an opinion of counsel reasonably satisfactory to Financial Guaranty that such order is final and not subject to appeal, (y) an assignment, in form reasonably satisfactory to Financial Guaranty, irrevocably assigning to Financial Guaranty all rights and claims of the Trustee, the Securities Administrator and/or such Insured Certificateholders relating to or arising under such Preference Amount and constituting an appropriate instrument, in form satisfactory to Financial Guaranty, appointing Financial Guaranty as the agent of the Trustee, the Securities Administrator and/or such Insured Certificateholders in respect of such Preference Amount, including without limitation in any legal proceeding related to the Preference Amount, and (z) a Notice appropriately completed and executed by the Securities Administrator for payment of such Preference Amount. Such payment shall be made to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Final Order and not to the Securities Administrator, the Trustee or the Insured Certificateholders directly (unless the Insured Certificateholders have previously paid such amount to such receiver, conservator, debtor-in-possession or trustee in bankruptcy named in such Final Order in which case payment shall be made to the Securities Administrator on behalf of the Trustee for payment to the Insured Certificateholders upon delivery of proof of such payment reasonably satisfactory to Financial Guaranty). Notwithstanding the foregoing, in no event shall Financial Guaranty be (i) required to make any payment under this Financial Guaranty Insurance Policy in respect of any Preference Amount to the extent such Preference Amount is comprised of amounts previously paid by Financial Guaranty hereunder, or (ii) obligated to make any payment in respect of any Preference Amount, which payment represents a payment of the principal amount of any Insured Certificates, prior to the time Financial Guaranty otherwise would have been required to make a

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payment in respect of such principal, in which case Financial Guaranty shall pay the balance of the Preference Amount when such amount otherwise would have been required.

Any of the documents required under clauses (w) through (z) of the preceding paragraph that are received by Financial Guaranty after 12:00 noon (New York City time) on a given Business Day or on any day that is not a Business Day shall be deemed to have been received by Financial Guaranty on the next succeeding Business Day. If any notice received by Financial Guaranty is not in proper form or is otherwise insufficient for the purpose of making a claim under this Financial Guaranty Insurance Policy, it will be deemed not to have been received by Financial Guaranty, and Financial Guaranty will promptly so advise the Securities Administrator, and the Securities Administrator may submit an amended Notice. All payments made by Financial Guaranty hereunder in respect of Preference Amounts will be made with Financial Guaranty's own funds.

This Financial Guaranty Insurance Policy is non-cancelable for any reason, including nonpayment of any premium. The premium on this Financial Guaranty Insurance Policy is not refundable for any reason, including the payment of any Insured Certificates prior to their respective maturities. This Financial Guaranty Insurance Policy shall expire and terminate without any action on the part of Financial Guaranty or any other Person on the date that is the later of (i) the date that is one year and one day following the date on which the Insured Certificates shall have been paid in full and (ii) if any insolvency proceeding referenced in the second preceding paragraph has been commenced on or prior to the date specified in clause (i) above, the 30th day after the entry of a final, non-appealable order in resolution or settlement of such proceeding.

This Financial Guaranty Insurance Policy does not cover Prepayment Interest Shortfalls, Basis Risk Carryforward Amounts or Relief Act Shortfalls nor does the Policy guarantee to the Insured Certificateholders any particular rate of principal payment. In addition, this Financial Guaranty Insurance Policy does not cover shortfalls, if any, attributable to the liability of the Depositor, the Trust, the Insured Certificateholders, any Trust REMIC, the Securities Administrator or the Trustee for withholding taxes or other charges imposed by any governmental authority, if any (including interest and penalties in respect of such liabilities). This Financial Guaranty Insurance Policy also does not cover the failure of the Securities Administrator to make any payment required under the Pooling and Servicing Agreement to the Insured Certificateholders.

A monthly premium shall be due and payable in advance as provided in the Pooling and Servicing Agreement and the Insurance Agreement.

This Financial Guaranty Insurance Policy is subject to and shall be governed by the laws of the State of New York, without giving effect to the conflicts of laws principles thereof. The proper

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venue for any action or proceeding on this Financial Guaranty Insurance Policy shall be the County of New York, State of New York.

THE INSURANCE PROVIDED BY THIS FINANCIAL GUARANTY INSURANCE POLICY IS NOT COVERED BY THE NEW YORK PROPERTY/CASUALTY INSURANCE SECURITY FUND (NEW YORK INSURANCE CODE, ARTICLE 76).

“Notice” means a written notice in the form of Exhibit A to this Financial Guaranty Insurance Policy by registered or certified mail or telephonic or telegraphic notice, subsequently confirmed by written notice delivered via telecopy, telex or hand delivery from the Securities Administrator to Financial Guaranty specifying the information set forth therein. “Pooling and Servicing Agreement” means the Pooling and Servicing Agreement, dated as of May 1, 2007, relating to the Insured Certificates by and among Morgan Stanley ABS Capital I Inc., as depositor (the “Depositor”), Wells Fargo Bank, National Association, as master servicer and securities administrator (the “Master Servicer” or the “Securities Administrator”), Saxon Mortgage Services, Inc., as servicer (the “Servicer”) and Deutsche Bank National Trust Company, as trustee (the “Trustee”). “Insurance Agreement” means the Insurance and Indemnity Agreement, among Financial Guaranty, the Sponsor, the Depositor, the Servicer, the Master Servicer, the Securities Administrator and the Trustee, dated as of June 20, 2007.

Financial Guaranty shall be fully subrogated to the rights of each Certificateholder to the extent of any payment by Financial Guaranty under this Financial Guaranty Insurance Policy.

In the event that payments under the Insured Certificates are accelerated, nothing herein contained shall obligate Financial Guaranty to make any payment of principal or interest on the Insured Certificates on an accelerated basis, unless such acceleration of payment by Financial Guaranty is at the sole option of Financial Guaranty; it being understood that a payment shortfall in respect of the redemption of any Insured Certificate by reason of the repurchase of the Trust Fund pursuant to Section 11.01 of the Pooling and Servicing Agreement does not constitute acceleration for the purposes hereof.

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IN WITNESS WHEREOF, Financial Guaranty has caused this Financial Guaranty Insurance Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



Name: Howard C. Pfeffer
Title: President



Name: Jeffrey Kert
Title: Authorized Representative

Effective Date: June 20, 2007

EXHIBIT A

NOTICE OF NONPAYMENT
AND DEMAND FOR PAYMENT OF INSURED AMOUNTS

To: Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
(212) 312-3000
Attention: Structured Finance Surveillance

Telephone: (212) 312-3000
Telecopier: (212) 312-3220

Re:

\$875,825,000 in aggregate certificate principal balance of Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 Mortgage Pass Through Certificates, Series 2007-NC4, Class A-1 Certificates, Class A-2a Certificates, Class A-2b Certificates, Class A-2c Certificates and Class A-

Policy No. 07030039 (the "Policy")

Distribution Date: _____

We refer to that certain Pooling and Servicing Agreement, dated as of May 1, 2007, relating to the Insured Certificates by and among Morgan Stanley ABS Capital I Inc., as depositor (the "Depositor"), Wells Fargo Bank, National Association, as master servicer and securities administrator (the "Master Servicer" or the "Securities Administrator"), Saxon Mortgage Services, Inc., as servicer (the "Servicer") and Deutsche Bank National Trust Company, as trustee (the "Trustee"). All capitalized terms not otherwise defined herein or in the Policy shall have the same respective meanings assigned to such terms in the Pooling and Servicing Agreement.

- (a) The Securities Administrator has determined under the Pooling and Servicing Agreement that with respect to the Insured Certificates:
- (1) for any Distribution Date prior to the Final Distribution Date, the excess, if any, of the Accrued Certificate Interest on such Class of Insured Certificates for such Distribution Date over all amounts available (including, without limitation, from Available Funds and any Net Swap Receipts received under the Interest Rate Swap Agreement) to pay Accrued Certificate Interest on such Class of Insured Certificates on such Distribution Date in accordance with the priority of payments set forth in the Pooling and Servicing Agreement is \$ _____ and

- (2) on the Final Distribution Date, the sum of (i) the amount set forth in clause (a) above and (ii) the amount needed to pay the outstanding Certificate Principal Balance of such Class of Insured Certificates on the Final Distribution Date, after giving effect to the payment of all amounts actually available to be paid on the Insured Certificates on the Final Distribution Date from all sources other than this Financial Guaranty Insurance Policy is \$ _____.
- (b) The amounts available to pay the items identified in items (1) and (2) above, as reduced by any portion thereof that has been deposited in the Collection Account or the Payment Account but may not be withdrawn therefrom pursuant to an order of a United States bankruptcy court of competent jurisdiction imposing a stay pursuant to Section 362 of the United States Bankruptcy Code), is \$ _____.
- (c) On any Distribution Date after the date that the Class Certificate Balance of each Class of Subordinate Certificates has been reduced to zero, the Securities Administrator has received written notice from Financial Guaranty stating that Financial Guaranty has exercised its option in its sole discretion to pay an amount equal to \$ _____ representing the excess of (i) the aggregate Class Certificate Balances of the Insured Certificates over (ii) the aggregate Stated Principal Balance of the Mortgage Loans for that Distribution Date.

Please be advised that, accordingly, a Deficiency Amount exists for the Distribution Date identified above for the Insured Certificates in the amount of \$ _____. This Deficiency Amount constitutes an Insured Amount payable by Financial Guaranty under the Policy.

[In addition, attached hereto is a copy of the Final Order in connection with a Preference Amount in the amount set forth therein, together with an assignment of rights and appointment of agent and other documents required by the Policy in respect of Preference Amounts. The amount of the Preference Amount is \$ _____. This Preference Amount constitutes an Insured Amount payable by Financial Guaranty under the Policy.]

Accordingly, pursuant to the Pooling and Servicing Agreement, this statement constitutes a notice for payment of an Insured Amount by Financial Guaranty in the amount of \$ _____ under the Policy.

- (c) No payment claimed hereunder is in excess of the amount payable under the Policy.

The amount requested in this Notice should be paid to:

Wells Fargo Bank, NA
ABA # 121000248
Account Name: SAS Clearing Account #3970771416
FFC: 53158503, MSAC 2007-NC4

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material

thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed Five Thousand Dollars (\$5,000.00) and the stated value of the claim for each such violation.

IN WITNESS WHEREOF, the Securities Administrator has executed and delivered this Notice of Nonpayment and Demand for Payment of Insured Amounts this _____ day of

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Securities Administrator

By: _____

Title: _____