From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Thursday, October 23, 2008 2:41 PM
To: [redacted]
Subject: early morning idea , still needs tweaking

regarding last nights conversation., I think that a complex probelm requ=res a more complex solution. Instead of the tarp buying mortgages, they/we= should create a new security call it a "mortagage backstop contract&=uot; In essence it should be a combination of a put and call.. the bank sh=uld be able to put the morgages on thier books to the new entity, and the =ntity should have the right to call it at a higher price. How this would w=rk would be as follows , using you example from last night for illustrtive=purposes only,, Original mortgage at 100,, current value at 80, and only 1= of equity.. the entity buys a call from the bank struck at between 93. to=95, they pay for it say 5.. the bank then uses that money to buy a put fro= the entity, struck at 90. Both have an expiration between 5- 15 years.&nb=p; by having the put to the entity , the bank can mark the loan curr=ntly at 90 , under the accounting rules.(as they are guaranteed that pric= in the future..i.e. turns fasb157 on its head).. you can adjust the put p=ice to change every year, based on some interst calulation, as you can adj=st the call price. This idea prevents you from being in the mortgagi=g service business, it allows the banks to do what they were doing with&nb=p;as little change as possible.. . you could restrict the types of mo=tgags that this would be applicable to. allowing only the small homeower t= benefit. THis needs work, but it smells right.. It also does =ot require you to actually put out 80 , when you have no downside protecti=n. by only entering the backstop contract , you significantly leverage the=200 billion