To: Department of the Treasury

From: Name Edward H. and Rhianon M. Gomez
Address 100 Jefferson Ave., 10021, Miami Beach, FL 33139
E-mail gomezeh@aol.com
Telephone 305-604-1410

Re: Development of a Guarantee Program for Troubled Assets

Comment / Suggestion: That a Government-owned reinsurance company be used to provide Stop-Loss Insurance to institutional holders of troubled mortgage backed securities, and that this program replace the proposed program whereby the Treasury Department would purchase, manage and re-sell the troubled securities. A brief outline of steps to initiate such a reinsurance facility, together with its principal features and benefits, is summarized below.

1. Formation
- Establish Government-owned reinsurance company (Resolution Re).
- Funding: $300 billion line of credit from Treasury Department.

2. Terms of Reference
- Purpose: to reinsure stop-loss policies issued by FDIC.
- FDIC stop-loss policies would be issued for troubled MBS held by financial institutions.
- Policies would be for specific individual securities (not for an institution's combined holdings).
- Policies would be 100% retrospectively rated, meaning that claims would be fully repaid over time through premium payments from the participating financial institutions.

3. Operating Principles
- Program would be voluntary, with financial institutions applying for policies to cover individual securities that they consider distressed.
- Policy issuance would require prior underwriting review and approval by reinsurance company.
- Maximum available coverage per security would be current book value (not original face value).
- Issuance of insurance policy would establish insured value as current market value, thereby providing a safety net that would eliminate institution's risk of further mark-downs on the insured security.

4. Claims
- Policies would pay claims only if there are defaults on the insured securities.
- Claim payments would become assets (receivables) on books of reinsurance company and liabilities (insurance premiums payable) on books of insured institutions.
- There would be a delay of x period of time before premium liability would impact institutions' capital adequacy ratios, so as not to trigger immediate requirements for additional capital.
- As claims are repaid through retrospective rating mechanism, reinsurance company's receivables would be reduced and Government repaid.
- Note: Although reinsurance company would have subrogation rights, instruments would remain on institutions' books (after default and claim payment) and institutions would retain responsibility to mitigate losses.

5. Advantages (of using a stop-loss insurance program instead of a purchase program for troubled MBS)
- Government would not get into the business of buying and selling distressed securities.
- Taxpayer funds would not be used unless there is an actual default that reduces a security's value below its current book value. This should help to avoid the potential criticism of Government using taxpayer money to speculate in derivatives.
- Avoids need to suspend fair market value rules.
- Provides financial institutions with a voluntary means for working their way out of problem, rather than giving the appearance of a presumptive transfer of risk from institution to taxpayer.
- Simpler and more transparent than a purchase program.

October 16, 2008