

From: Jeffrey Epstein <jeevacation@gmail.com>

To: "Barrett, Paul S" <[REDACTED]>

Subject: Re: NEW HY RMBS BWIC - \$4.3mm of RFMSI 04-S4 1M1 @ 85-16 (6.51% yield/2.97 dum)

Date: Mon, 11 Feb 2013 17:37:45 +0000

ok

On Mon, Feb 11, 2013 at 1:07 PM, Barrett, Paul S <[REDACTED]> wrote:

Jeffrey

We should buy \$1MM of this bond.

US Onshore Clients – Blue Sky (U.S. State Securities Law): Please confirm Blue Sky eligibility before soliciting to a US Onshore client by entering the CUSIP into the web tool located at: <http://escopy1.amer.lemchase.net:8080/BlueSkyPage.html> and review to see if your client's state of residence is listed. If you receive 'NO SECURITY FOUND', 'NO STATES FOUND' or the security DOES NOT HAVE A CUSIP or is not USD-denominated, then please contact your SM or local compliance officer and provide the requested security and client information. Please note that a suitability review and other pre-trade procedures must still be followed.

THE BOND:

The RFMSI 04-S4 1M1 is a Prime Seasoned Fix 5.25% Sub bond backed by 105 months seasoned fix mortgages. The bond has 2.38% credit enhancement vs 7.08% 60+ delinquencies, for a 0.34x coverage ratio.

THE COLLATERAL:

The pool consists of 145 Prime loans that are 105 months seasoned with an average updated LTV of 56%. The average balance of the loans is \$296k – this coupled with the low updated LTV should result in both low CDRs and Severities. In fact, there has been only 2 CDR prints over the last 12 months and the average severity of those 2 prints is 20.64%. Our base case assumes 35% severity ramping down to 30% over 3 years. What's more interesting is that the 5 foreclosure loans in the pipe have an updated LTV of 41%, which is even lower than the overall pool LTV of 56%. According to our model, this should translate to lower severities at liquidation.

THE STORY:

For investors looking for a housing recovery play backed by seasoned Prime collateral, this bond offers a great convexity story levered to prepayments and overall homeowner performance.

Please call the desk with all bids/inquiries related to this bond. X32124

HIGHLIGHTS

- HPI Updated LTV = 56%
- 87% of the borrowers have not missed a payment in the past 2 years
- 105 months seasoned
- 735 FICO
- \$296k average balance

**Source: Bloomberg

RFMSI 2004-S4 1M1 Offered @ 85-16

BOND DESCRIPTION

Cusip:	76111XHZ9
Original Face:	4,314,300
Current Face:	2,002,780
Bond Type:	Prime Fix 5.25% Mezz
Ratings (S&P/Moodys/Fitch):	CCC+/NR
Current Coupon:	5.250%
Yield @ Base Case	6.509%
WAL @ Base Case	4.03
Principal Window @ Base Case	Mar13 to Oct37
Writedown %	14.66%
Current Credit Enhancement:	2.38%
60+ Delinquencies	7.08
60+ Delinquency Coverage	0.34x

UNDERLYING COLLATERAL DESCRIPTION

Average Loan Balance (\$,000s)	296
Loan Count	145
Mortgage Type	Seasoned Prime 30yr Fix
Wtd Avg Mortgage Coupon	5.655%
Wtd Avg FICO Score	735
Wtd Avg Orig Loan-to-Value	54.81%
HPI Adj LTV	56.15%
Weighted Avg Loan Age	105
Owner Occupied	96.17
Top 1 Geo Concentration	CA 49%
Top 2 Geo Concentration	TX 7%
Top 3 Geo Concentration	NY 5%
Always Current (24 mos)	86.81%

Prepay Rate	20 CPR	24 CPR	28 CPR
Default Rate	2 ramp 20 4 3 ramp 12 2 CDR	2 ramp 20 4 3 ramp 36 1.75 CDR	2 ramp 20 4 3 ramp 12 1.5 CDR
Default Severity	40 ramp 36 35	35 ramp 36 30	30
Delinq Rate	7.5 Percent	7.5 Percent	7.5 Percent
Delinq Advance (% of [REDACTED])	100	100	100

Price @ 85-16			
Yield	2.124	6.509	9.838
Spread over Tsy	136	575	912
Duration	3.18	2.97	2.71
WAL	4.05	4.03	3.84
Principal Window	Mar13 to Mar36	Mar13 to Oct37	Mar13 to Oct37
Principal Writedown	29.22%	14.66%	3.28%
Total Collat Loss	0.54%	0.46%	0.39%
Total Liquidation	7.59%	6.83%	5.55%

HISTORICAL PERFORMANCE	1 MOS	3 MOS	6 MOS
CPR	27.23	31.87	27.45
CDR	0.00	4.64	2.20
SEV	NA	30.01	30.01

IMPORTANT DISCLAIMER:

Non-agency RMBS is a complex fixed income product and is not suitable for all investors. Please note that while desk assumptions are driven by a number of collateral and macro factors, the **historical performance of a deal is not indicative of its future performance**. Additionally, this message is a product of sales and trading and is not a research report. Other key risks to consider are outlined below:

- All investments are subject to possible loss of principal
- Non-Agency bonds may have limited liquidity and clients should be aware that the secondary market for mortgage-backed securities has experienced periods of illiquidity and may do so in the future. Illiquidity means that there may not be any purchasers for your class of certificates. Although any class of certificates may experience illiquidity, it is more likely that classes that are lower in the capital structure and non-investment grade related may experience greater illiquidity than more senior, investment-grade rated classes.
- High Yield Non-Agency bonds are speculative non-investment grade bonds that have higher risk of default or other adverse credit events which are appropriate for high risk investors only

Non-Agency bonds are intended for clients with a minimum total net worth of \$50mm. Please make sure your client fulfills this requirement before soliciting this order.

This commentary is a product of JPMorgan Global Wealth Managements Taxable Fixed Income Trading Desk and not JPMorgan's Research Department. The views expressed in this trading desk commentary may differ from those of JPMorgan's Research Department. Any opinions expressed in this trading desk commentary are subject to change without notice and JPMorgan is under no obligation to update or keep this information current.

Bee-Ann Benson | Vice President | J.P. Morgan Global Wealth Management

270 Park Avenue, Floor 5, New York, New York 10017

T: [REDACTED] | F: [REDACTED]

This email is confidential and subject to important disclaimers and conditions including on offers for the purchase or sale of securities, accuracy and completeness of information, viruses, confidentiality, legal privilege, and legal entity disclaimers, available at <http://www.jpmorgan.com/pages/disclosures/email>.

--

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of Jeffrey Epstein

Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to jcevaction@gmail.com, and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved