

Michael Burry: I want to buy swaps on mortgage bonds. A credit default swap that pays off if the underlying bond fails.

Goldman Sachs Rep: You want to bet against the housing market?

Michael Burry: Yes.

Goldman Sachs Rep: Why? Those bonds only fail if millions of Americans don't pay their mortgages. That's never happened in history. If you'll forgive me, Dr. Burry, it seems like a foolish investment.

Michael Burry: Well, based on prevailing sentiment, the market, the banks and popular culture, yes, it's a foolish investment. But, everyone's wrong.

Goldman Sachs Rep: This is Wall Street, Dr. Burry. If you offer us free money, we ARE going to take it...

Michael Burry: My one concern is that when the bonds fail I want to be certain of payment in case of solvency issues with your bank.

Goldman Sachs Rep: I'm sorry, are you for real? You want to bet against the housing market and you're worried WE won't pay YOU? Dr. Burry, we could work out a pay-as-we-go structure that would pay out if the bonds fail. But it would also apply to your payments if the value of the mortgage bond goes up, You'd have to pay us monthly premiums. Is that acceptable, Dr. Burry?

Michael Burry: Yes... yes. I have prospectuses on the six mortgage-backed securities I want to short.

Goldman Sachs Rep Dr. Burry, these should be fine. We're prepared to sell you five million in credit default swaps on these mortgage bonds.

Michael Burry: Could we make it a hundred million?