

By Electronic Submission

Mr. Robert W. Errett  
Deputy Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

RE: *Request for Extended Comment Period*  
SR-FINRA-2015-036, Proposed Rule to Amend FINRA Rule 4210 Margin  
Requirements for To Be Announced Transactions

Dear Mr. Errett:

I am writing on behalf of Love Funding, a HUD-approved mortgage lender that specializes in financing multifamily and healthcare projects with FHA mortgage insurance. We routinely finance our projects with Government National Mortgage Association (GNMA) mortgage-backed securities (MBS); in our over 30 years of operations, we have seen firsthand how the combination of FHA mortgage insurance and GNMA MBS has provided a long-term, stable and affordable source of capital for housing and healthcare projects.

We respectfully request that the Commission and FINRA extend the current 21-day comment period (ending November 10, 2015) to at least 45 days for the proposed margin rule. Our industry representatives, including the Mortgage Bankers Association (MBA) and Committee on Healthcare Financing (COHF) are concerned that the 21-day comment period is insufficient for its members to fully review and provide substantive and helpful comments on such a far-reaching rule. We agree with this position, as it is likely that an abbreviated comment period will result in a final rule with unintended consequences, causing serious disruptions to the financing markets for the healthcare and multifamily housing that depend on FHA mortgage insurance and MBS for access to affordable capital.

Our understanding of the proposed rule is that it will impose daily “margin requirements” on GNMA (and FNMA) multifamily and healthcare MBS transactions to ensure protection to investors from the risk of a failed delivery of the mortgage-backed security. These margin requirements would be in effect from the time the interest rate is set on the security to the closing of the underlying FHA-insured loan; they would be in addition to the industry-standard good faith deposit, which is currently .5% but is slated to be increased to 2.00% in the proposed rule.

While the rule may be well-intentioned in its efforts to protect investors, we view it as an unnecessary intrusion into a long-standing, efficient and well-functioning market that has historically benefitted from clear rules of the road with respect to delivery standards and investor expectations. Moreover, the proposed rule has the potential for unintended – and negative - consequences in the FHA-insured/GNMA marketplace, summarized as follows:

- It will place an undue burden on multifamily and healthcare lenders (costs associated with setting up margin accounts, monitoring daily changes, lines of credit, cost of margin, etc.)
- It will likely impact smaller, regional lenders who operate in secondary and tertiary markets and further concentrate lending activity in large financial institutions. As a result, delivery of FHA mortgage insurance to areas that are most likely to benefit from access to low-cost, affordable capital may be negatively impacted.
- It will limit the number of competitive bids lenders can seek for the pricing of GNMA securities and thus increase borrowing costs. This will hurt affordable housing projects and healthcare facilities whose budgets are constrained by state Medicaid reimbursement systems. One of the key strengths of FHA mortgage insurance/GNMA securitization is that by lowering healthcare capital costs, it enables operators to deploy more of their limited resources to the delivery of patient care.
- The current market is well-functioning and has been efficient with respect to delivery standards. There is no data - or even anecdotal evidence – that FINRA staff can point to that shows newly issued multifamily/healthcare MBS have a failure rate that could pose a systemic risk to the banking sector. If anything, the recent recession proved these securities provided much needed capital when other traditional sources of capital were unavailable.
- The industry already has in place sufficiently stringent standards. Current business and risk management practices among lenders, warehouse funders, and investors already minimize risk of failure to deliver MBS. We kindly ask you to refer to the MBA's letter dated March 28, 2014.
- It will negatively impact construction loans in particular if transactions are subject to margining until issuance of a GNMA Permanent Loan Certificate following Final Endorsement.

We believe that in order to maintain cohesiveness in the market for FHA mortgage insurance and GNMA MBS, and to avoid the damage to the delivery of affordable capital for housing and healthcare projects, the proposed rule be given a longer – and more robust – review period, one that fully takes into account the deleterious impact the rule will impose on a very active and well-functioning market. Thank you in advance for your cooperation and assistance.

Sincerely,



Jonathan S. Camps  
Senior Vice President