

Centennial Mortgage, Inc.

November 9, 2015

Sent via email to: rule-comments@sec.gov

Secretary, Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Subject: File Number SR-FINRA-2015-036

On October 20, 2015, the Securities and Exchange Commission published “Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Market”.

As President and Sole Shareholder of Centennial Mortgage, Inc. (CMI), a HUD and USDA approved multifamily lender/GNMA Issuer, I am deeply concerned about the impact the proposed FINRA Rule could have on the future of my company, the livelihood of CMI's 29 employees and our ability to provide our affordable housing and healthcare borrowers with the lowest possible interest rates.

CMI was established in 1975 and has been providing capital to developers and owners of multifamily housing, hospitals, nursing homes, and board and care facilities throughout the nation through a variety of U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) insured loan programs, all of which require a GNMA Security for the absolute best interest rates for our borrowers. When a loan is interest rate locked with the Mortgage Backed Securities Investor, a Good Faith Deposit is collected as well as deadlines being established which require that extension fees be charged if the GNMA Security is not delivered on time. The Good Faith Deposit is specifically intended to cover any hedging loss due to potential lender non-delivery. In addition, language is added to the agreements which allow for collection of any potential liquidated damages which would be covered under outstanding HUD/GNMA Lender net worth and liquidity requirements. In my 22 years of delivering GNMA Securities, CMI has only seen two instances of non-delivery occur. In both instances, the investor was fully covered by the Good Faith Deposit for both their expenses and lost profit.

This rule is presumably intended to protect the Mortgage Backed Securities Investor (Purchasers of GNMA Securities) from the risk that, I, as the lender, will fail to deliver the security (GNMA Security) as outlined in the Trade Confirmation. I believe, for FHA Insured and USDA Guarantee Multifamily Housing, there are current business and risk management practices in place that already minimize the risk that any mortgage lender would fail to deliver the security

(GNMA Security). The proposals outlined in the above referenced FINRA Margining rule will have unintended consequences without actually providing any mitigation to the potential risk FINRA appears to try and address; that newly issued multifamily and healthcare mortgage backed securities actually have a failure rate that could pose a systemic risk to the overall banking sector. This position is not supported by any data that FINRA can point to, or that is documented by our National FHA Insured Multifamily Portfolio data, which represents a mere three percent of the overall multifamily market. Smaller lenders such as myself who have played a vital role providing much needed capital to smaller regional markets when other traditional sources of capital were unavailable, are posed to be the most severely impacted by implementation of this proposed rule.

In my review of the proposed rule, after a startling brief comment period (October 20th - November 10th), this rule could self-implement as early as November 30, 2015. If that were to occur, the costs of setting up margin accounts, monitoring daily changes, lines of credits, and the costs of the margins themselves, would place an undue burden on multifamily and healthcare lenders, such as myself, whose mission focuses on providing financing for affordable housing for those vulnerable populations such as our seniors and the growing percentages of individuals and families who are renters, most of whom are unable, since the recession, to become homeowners. Instead of having a balanced, diverse lending platform where owners and developers can make market choices about financing options, implementation of this rule will further concentrate lending activity into just a few large financial institutions, which creates its own systemic risk for our banking platform. And in the end, borrowers will have increased costs as there will be fewer and less competitive options for lenders seeking bids from traders, ultimately all of which will simply increase costs rather than provide viable risk mitigation.

I urge you to consider my concerns and the potential impact of FINRA very carefully. I believe that the multifamily mortgage banking industry already has acceptable business risk practices in place to warrant removal of multifamily transactions from being covered by FINRA.

Thank you for your consideration of my concerns.

Sincerely,



Matthew Kane
President