NORTHMARQ CAPITAL

November 10, 2015

Submitted Electronically

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

RE: File Number SR-FINRA-2015-036
Proposed Rule Change to Amend FINRA Rule 4210 (Margin Requirements) to Establish Margin Requirements for the TBA Market

Dear Mr. Errett:

On behalf of NorthMarq Capital ("NorthMarq"), we are grateful for the opportunity to provide input on the proposed rule change to amend FINRA Rule 4210 (Margin Requirements) to establish margin requirements for the To Be Announced ("TBA") market proposed by FINRA in an effort to address possible systemic risks due to the large volume of unmargined transactions with forward settlements, particularly in regards to residential mortgage lending. NorthMarq Capital, the largest privately held commercial real estate financial intermediary in the U.S., provides debt, equity and commercial loan servicing through its 36 offices across the U.S. The company provides financing through life companies, CMBS platforms and local, regional and national banks and has a long track record of multi-family loan origination through Freddie Mac Program Plus™, the Fannie Mae DUS™ program and through FHA, resulting in more than $13 billion in annual production volume and a loan portfolio of more than $45 billion. The proposed rule change will affect Fannie Mae and FHA multifamily executions, which comprise over $5.7 billion of our current portfolio.

The rule change is drafted explicitly to address the residential TBA market. However, the coverage of the rule is expanded to include the commercial activities of the Government Sponsored Entities ("GSE's") and FHA. Due to the structure of the Freddie Mac multifamily capital markets, the rule change will not apply to Freddie Mac loans, and thusly, we will focus on the impact to the Fannie Mae and FHA/Ginnie Mae programs. Our response provides perspective on four areas: (1) the differences in the residential and commercial capital market executions of these programs; (2) size of the multifamily activities of these programs does not pose systemic risk; (3)mitigation of counterparty risk; and (4) difficulties in determining daily valuation for Mark-to-Market Margining.

I. Differences in Single-Family and Multifamily Capital Markets Execution

There are structural differences between the single-family and multifamily capital markets executions. Each individual security traded in the Fannie Mae and FHA/Ginnie Mae multifamily programs is backed by a single asset with a single borrower, all of which is identified and underwritten prior to locking the interest rate and entering into the terms of the trade. Additionally, the Borrower posts a Good Faith Deposit prior to locking the interest as earnest money to close the transaction and settle the security. Effectively, the Good Faith Deposit is a margin/collateral for the Broker-Dealer or Investor. The extensive due diligence and monetary commitment by the stakeholders ensure the certainty of execution, as exhibited by the de minimis levels of failed security deliveries in the history of these programs. The economic and reputational risks are simply too severe for any participant in the process. NorthMarq has never experienced a failed settlement of a security in its history, nor have I over an eighteen year career. The unique single-asset security combined with solid risk management and safeguards clearly differentiate this execution from the residential TBA market, and the risks involved with trading the securities.

II. Size of the Multifamily Activities in These Loan Programs Does Not Pose Systemic Risk

The annual activity in Fannie Mae and FHA multifamily activities in 2014 are estimated to be approximately $45 billion. These loans are closed across the span of the entire year, which further reduces the risks to the financial system at any given point in time. In contrast to the $1 trillion single-family volume, the size and nature of multifamily and single-family markets are extremely different. The multifamily volumes do not pose systemic risk.

III. Mitigation of Counterparty Risk

The rule change identifies concerns regarding potential counterparty risks to the Broker-Dealers in the event a Lender should fail prior to the settlement of the security. All Broker-Dealers complete periodic counterparty risk analysis on each of their lender partners and establish overall credit parameters and exposure limits. Additionally, Fannie Mae and FHA maintain strict guidelines for all approved lenders in their respective programs, and in the event a Lender failed, both agencies have programmatic guidelines to ensure continuity and the settlement of all outstanding securities. The system has strong safeguards already in-place to mitigate counterparty risks.

IV. Difficulties in Determining Daily Valuation for Mark-to-Market Margining

The rule change requires a daily valuation for each security to determine the need and, if deemed necessary, the size of a margin. Valuations require consistent and transparent data for all participants in the trade. The value of the security is based on the interest rate of the security and fluctuations in the market. The interest rate is comprised of two components: (1) the U.S. Treasury rate and (2) the investor's spread above the Treasury rate for their return. The U.S. Treasury rates are very transparent and easy to determine. However, the investor spread is not collected or published in a way that can be readily tracked or identified, and investor spreads vary widely based on numerous market factors. As mentioned previously, each security is backed by an individual loan and asset, and the price of each security is customized based on the merits of each individual transaction. Both components move independently of one another, and without the ability to track the movements of the separate components, daily valuation is an impossible task.

NorthMarq does not believe any mandated changes are warranted or necessary. The capital markets for commercial components of Fannie Mae and FHA/Ginnie Mae executions are extremely efficient with safeguards established and followed for the protection of all stakeholders. The proposed rule change creates extremely difficult margining valuation requirements for a market with an extraordinary track record.

We look forward to working with the SEC and engaging in discussions on this important issue. Please do not hesitate to contact me, at (301) 718 6678 or JDonaldson@NorthMarq.com, if you have any questions.

Sincerely,

Jayson F. Donaldson

Digitally signed by Jayson F. Donaldson
DN: cn=Jayson F. Donaldson, o=NorthMarq Capital Finance, L.L.C., ou, email=jdonaldson@northmarq.com, c=US
Date: 2015.11.10 14:57:00 -05'00'

Jayson F. Donaldson
President
NorthMarq Capital Finance, L.L.C.

cc: Chair Richard Shelby, Senate Banking Committee
Congressman Mario Diaz-Balart
Congresswoman Eleanor Holmes Norton
Congressman Mike Quigley