Gershman Mortgage
Mortgage Bankers
NMLS #138063

November 23, 2015

By Electronic Submission

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

RE: *Multifamily Industry Coalition Comments on SR-FINRA-2015-036*, Proposed Rule to Amend FINRA Rule 4210 Margin Requirements for To Be Announced Transactions (Notice published October 20, 2015)

Dear Mr. Errett:

Gershman Mortgage is an independently owned, mortgage banking firm engaged in financing multifamily housing and healthcare projects through the FHA-insured loan programs. We utilize the sale of Ginnie Mae Mortgage Backed Securities as the funding source for the loans we originate. We participate in the Ginnie Mae program issuing both Construction Loan Pools as well as Project Loan pools.

We are requesting that the Commission and FINRA remove coverage of Ginnie Mae Mortgage Backed Security forward-settling transactions from the proposed rule SR-FINRA-2015-036. The proposed rule lacks any data or analysis on the impacts to the very distinct FHA/GNMA multifamily finance markets. We don't think the rule should apply to these securities and are concerned that the proposed rule could have significant impact on the financing of affordable multifamily rental apartments. Most of the properties financed using the FHA-insured loan programs provide housing or healthcare to families earning median income or less. Importantconsiderations are identified below.

Multifamily forward settling transactions are vastly different from the single family To Be Announced (TBA) market, which is the focus of the proposed rule. Unlike the single family mortgage market, there is no TBA market for multifamily transactions due to the very specific nature of this market. In the multifamily market, there is one identified rental property as collateral for one mortgage which is securitized into a GNMA multifamily security.

The multifamily loans are originated by a network of Lenders approved by FHA/Ginnie Mae. These Lenders are subject to strict oversight and capital requirements from both FHA and GNMA. Before executing a trade to deliver a forward GNMA commitment, the property is reviewed and underwritten through expensive and extensive third party reports assessing the viability and sustainability of the project including physical condition, rental income cash flow analysis, property management plans, and owner/developer experience and financial capacity. In addition, upon payment of an exam fee, HUD staff thoroughly reviews detailed project information before issuing a commitment to insure the loan.

The forward settling transactionsare backed by a Good Faith Deposit, which we send to the broker dealer or investor. This is spelled out in a contractual rate lock agreement with the borrower. The borrower cannot simply and easily switch lenders or capital sources based on market fluctuations. Our agreement with the borrower outlines fees and penalties for not completing the transaction with us which are quite substantial. Costly third-party reviews have been performed that cannot be readily transferred to another lending source. Given the investment of time and money, property owners are highly motivated to close a trade once committed.

Systemic risk concerns appear to be a central reason for imposing margining on the multifamily forward-settling market as is noted in the Treasury Market Practice Group (TMPG) white paper release. They noted that "to the extent uncleared transactions in the TBA market remain unmargined, these transactions 'can pose significant counterparty risk to individual market participants' and that 'the market's sheer size . . . raises systemic concern.'" Granted the concerns raised may be applicable to certain securities markets, the GNMA Mortgage Backed Securitiesmarket contains safeguards that should offset the systemic risk concern.

It is important to point out the FHA annual multifamily lending volumes (approximately $9.5 billion in 2014) are not large compared to the well over $1 trillion in annual new originations in single family mortgage market and are not enough to pose systemic risk concerns.

FHA multifamily portfolio which GNMA wraps with a mortgage backed security have had excellent credit performance having a 15 basis point 60-day delinquency rate. The FHA/Ginnie Mae executions frequently support providing liquidity to rental properties in secondary and tertiary geographic markets including those with smaller-sized properties that might not otherwise be served. And given that affordable housing rental properties often involve non-profit borrowers who require a variety of sources of capital, imposing margining would have an acute impact on this very important sector.

It appears that FINRA has not thoroughly considered the Proposal's economic impact on the multifamily rental housing market. We are deeply concerned with the cursory manner with which the Proposal includes the multifamily rental housing sector with little or no justification.

As a result, we believe that the FHA-insured/GNMA MBS multifamily finance market should be exempted from the rule. Given the significant impact that this rule could have on the multifamily finance market, specifically low to moderate income affordable housing, any requirement must have an extended, multi-year implementation period.

We urge the Commission and FINRA to exclude multifamily and healthcare, GNMA Mortgage Backed Security forward-settling transactions from the proposed rule. Further examination of such a rule should be performed addressing the impact this will have on the multifamily housing market and the related economic impact before this rule moves forward.

Thank you for your consideration. If you have any questions, please contact me.

Sincerely,
GERSMAN MORTGAGE

Mark C. Unangst
Senior Vice President