

Committee on Healthcare Financing

CHAIR:

Philip J. DelVecchio
Bank of America N.A.

November 6, 2015

VIA EMAIL

EXECUTIVE COMMITTEE:

Steve Ervin
Berkadia Commercial
Mortgage LLC

Erik Lindenauer
Housing & Healthcare
Finance, LLC

Hal Collett
Prudential Huntoon Paige
Associates, LLC

Anthony Luzzi
Sims Mortgage Funding, Inc.

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:

1717 K Street N.W., Suite 900.
Washington D.C. 20006

I am writing on behalf of the Committee on Healthcare Financing, which is an association of national investment and mortgage bankers and financial advisors who participate in the Department of Housing & Urban Development's Sections 232 and 242 mortgage insurance programs. Our members provide much needed, low cost financing for hospitals, skilled nursing homes, assisted living facilities, and seniors' housing, with a particularly strong emphasis on nonprofit healthcare providers. The overwhelming majority of those loans are funded with Ginnie Mae mortgage-backed securities.

We are writing to urge the Commission and FINRA to extend the current 21-day comment period (ending November 10, 2015) to at least 45 days for the proposed margin rule. The Committee is concerned that the 21-day comment period is insufficient for our members to fully review and provide substantive and helpful comments on such a far-reaching rule. Currently, the financing market for the HUD Sections 232 and 242 programs works well and efficiently utilizing the Ginnie Mae mortgage-backed security program. We are greatly concerned that this abbreviated comment period will likely result in unintended consequences that could cause serious disruptions to the financing market for the healthcare delivery system.

While the focus of the proposed rule appears to be the single-family "To Be Announced" (TBA) market, the proposed rule's express reference to multifamily finance appears to incorporate certain multifamily finance transactions within the scope of the proposed rule. Because of the manner in which the HUD Section 232 and Section 242 programs are structured within HUD and financed with Ginnie Mae mortgage-backed securities, we are concerned that such loans will be adversely affected in the same manner as multifamily loans.

The hospital, skilled nursing, and senior housing market is vastly different and distinct from the single-family residential market, and those considerations do not appear to have been addressed in the proposed rule. First, HUD's Section 232 and 242 market is a fraction of the size of the single-family market. For FY 2015, the HUD Section 232 and 242 programs financed less than \$3 billion in transactions. (Compared to the over \$1 trillion single-family market and the \$40-50 billion multifamily market. Additionally, as in the multifamily market, trades for Section 232 and Section 242 securities rarely fail, plus this market already has existing protections against failures that the Commission has not considered. Therefore, the Economic Impact discussion in the proposed rule does not address the characteristics of the healthcare finance market and the potential for significant disruption that could result under the proposal. The absence of substantive data or discussion on the impacts to the healthcare finance market is quite troubling. Prior to publishing a final rule, we believe that the Commission and FINRA should fully analyze the impact of the proposed rule on the hospital, skilled nursing home, and senior housing market, and make appropriate adjustments to the margining rules to account for this industry's distinctive characteristics.

If the Commission will not agree to an extended comment period, then we request that the final rule exempt healthcare transactions financed pursuant to HUD's Section 232 and 242 loan programs as well as the senior housing loans financed by Fannie Mae's and Freddie Mac's senior loan programs. Alternatively, the SEC and FINRA should expressly treat the Good Faith Deposit (held for the benefit of the broker-dealer/investor) obtained in those referenced programs as fully satisfying (and serving as a cap) for any margin requirement, including "variation" margin.

Very truly yours,

A handwritten signature in black ink, appearing to read "Roderick D. Owens".

Roderick D. Owens
Executive Director