

February 11, 2016

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

RE: File No. SR-FINRA-2015-036, Order Instituting Proceedings to Determine Whether to Approve or Disapprove Proposed Rule Change to Amend FINRA Rule 4210 (Margin Requirements) to Establish Margin Requirements for the TBA Market, as Modified by Partial Amendment No. 1

Dear Mr. Errett:

On January 21, 2016, the Securities and Exchange Commission (“SEC” or “Commission”) published the above referenced order instituting proceedings to determine whether to approve or disapprove proposed rule change to amend FINRA rule 4210 (“the order”), prepared by the Financial Industry Regulatory Authority (“FINRA”), and to solicit comments on the proposed rule change from interested parties in response to the Partial Amendment No. 1 (“the amendment”). Lancaster Pollard Holdings, LLC (“LPH”) is pleased to have the opportunity to comment on the amendment’s impact to the multifamily and residential healthcare agency markets. This letter does not address, nor is it intended to address, other aspects of the order, nor the impacts to the single-family mortgage TBA market.

LPH is active in the forward settling multifamily MBS market on a daily basis through its wholly owned subsidiaries, Lancaster Pollard Mortgage Company, LLC (“LPMC”) and Lancaster Pollard & Co., LLC (“LPC”). LPMC is primarily engaged in the business of originating, selling, and servicing senior housing, healthcare, affordable housing, and multifamily loans under loan programs administered by the Federal Housing Administration (“FHA”), a division of the U.S. Department of Housing and Urban Development (“HUD”), the Government National Mortgage Association (“Ginnie Mae” or “GNMA”), the United States Department of Agriculture (“USDA”) and the Federal National Mortgage Association (“Fannie Mae”). LPMC is an approved Fannie Mae Seniors Housing and Affordable lender nationally, a HUD Multifamily Accelerated Processing (“MAP”) lender nationally, a HUD Section 232 LEAN lender nationally, and a Ginnie Mae Issuer. LPMC securitizes originated FHA and USDA loans by issuing related GNMA MBS, and it originates loans and sells them to Fannie Mae in exchange for cash or MBS. LPC is registered as a securities broker and dealer pursuant to the Securities Act of 1934 and is a member of FINRA. LPC actively trades in the forward settling multifamily MBS market with other mortgage lenders, institutional investors and other broker dealers. Therefore, LPH is in a unique position to provide

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perspective on the proposal from the viewpoint of both a mortgage lender and a FINRA member.

While LPH appreciates and supports FINRA's reconsideration to not require that members apply the proposed margin requirements to multifamily and project loan securities, LPH reaffirms its recommendation that the Commission exclude forward settling multifamily MBS trades from the proposal for those reasons specifically mentioned in LPH's prior comment letter and the reasons mentioned further below.

In response to the Commission's questions, LPH does not believe that the proposed rule change, as modified by Partial Amendment No. 1, is inconsistent with Section 15A(b)(6), of the Exchange Act, nor will the amendment have a negative impact in regards to questions 1, 2, 3, 4, and 6 posed in section V. Request For Written Comments, of the order.

In response to question 5 posed in Section V. Request For Written Comments, of the order, LPH is supportive of the exception for multifamily housing and project loan securities in the proposed rule change, yet is concerned with the "elective" nature of the proposed change. The amendment adds the proposed rule language to FINRA Rule 4210, "a member **may elect [emphasis added]** not to apply the margin requirements of paragraph (e)(2)(H) to multifamily and project loan securities, subject to specified conditions." While LPH is supportive of the exception and is amenable with the risk limit determination<sup>1</sup>, LPH is concerned that the "elective" nature of the exception in the proposed change will result in inconsistent application between members, resulting in unintended consequences. Those unintended consequences may include differing implementation costs among members and divergent execution levels between members for the same trade.

LPH is pleased with the Commission's and FINRA's recognition that the multifamily finance market is significantly different than the single-family TBA market and that it does not present the level of systemic and counterparty risks that appear to have motivated the development of this rule. Based on the reasons noted in LPH's prior comment letter and those reasons noted above, LPH strongly recommends that the Commission exclude forward settling multifamily MBS trades from the proposal, or alternatively, replace the "may elect not" language from the amendment with "is not required," such that the language reads "a member is not required to apply the margin requirements of paragraph (e)(2)(H) to multifamily and project loan securities, subject to specified conditions."

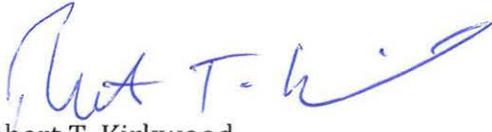
Further, consistent with MBA's comments, we believe that the final rule should ensure that other types of multifamily agency securities that may not technically fit within the definitions in FINRA Rule 6710(k) or FINRA Rule 6710(n), not inadvertently fall outside of the proposed exception.

LPH appreciates the opportunity to comment on the order. Should you have any questions regarding our comments, please do not hesitate to contact the undersigned at the number below.

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<sup>1</sup> Risk limit determinations contemplated by the proposed rule should be consistent with existing practices and arrangements between members and mortgage bankers and recognize the unique aspects of the multifamily finance market.

Sincerely,



Robert T. Kirkwood  
Chief Operating Officer  
Lancaster Pollard Holdings, LLC

