CENTURY
HEALTH CAPITAL, INC.

By Electronic Submission

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

RE: SR-FINRA-2015-036, Proposed Rule to Amend FINRA Rule 4210
Margin Requirements for To Be Announced Transactions

Dear Mr. Errett:

I am writing on behalf of Century Health Capital, Inc. (Century), an approved FHA mortgagee for healthcare and multifamily projects, and an approved issuer of Ginnie Mae Project Loan and Construction Loan Certificates. Century is a small issuer by any measure. In calendar year 2014, Century issued approximately $185 million of project loan and construction loan certificates for 12 projects. Thus far in 2015, we have issued nearly $240 million for 24 projects, with the growth largely due to refinancing opportunities created by the very low interest rate market. We also service all of the loans that we originate and fund, with a current servicing portfolio of approximately $635 million.

I have read the proposed FINRA rule as well as the TMPG minutes and frequently asked questions on this subject. I don't pretend to understand much of it, since it seems to apply to a TBA market that is simply not applicable to the issuance and sale of Ginnie Mae Project Loan and Construction Loan certificates.

It appears to me that the TBA market to which the proposed regulations need to apply are those forward settling contracts where the lenders are planning on originating a pool of loans with similar generic terms in an agreed upon dollar amount. At the time of the contract, many, if not all, of those loans do not exist. That is a foreign concept to those of us in the multifamily and healthcare origination and servicing business.

Long before we enter into a Trade Confirmation (our term for the forward settling contract), we have fully underwritten a loan for a single multifamily project or nursing home or assisted living facility that will be the sole mortgage loan in the Ginnie Mae pool. The underwriting we complete involves appraisals, environmental studies, site visits, financial statement assessments, credit investigations and more. Both the lender and borrower invest significant time and money in the project development and underwriting process. This takes months and even years for some loans.

Healthcare and Commercial Mortgage Banking

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We submit our underwriting to HUD for review and approval, and HUD MUST issue a Firm Commitment to Insure the Mortgage before we can begin to complete the steps necessary to execute a Trade Confirmation and lock the interest rate for this solitary loan. The project underwriting and the HUD Firm Commitment are based on an assumed loan interest rate. Once any conditions precedent to closing specified in the Commitment are satisfied, we are in a position to lock the interest rate on the loan and execute a Trade Confirmation. Upon locking the rate, we must obtain an amendment to the Firm Commitment recognizing the locked interest rate and complete final loan documents and submit them to the HUD closing coordinator and closing attorney. We can then set a mortgage loan closing date. As you can imagine, it can take a number of days or even weeks to complete the reviews and approvals and ultimately closing the loan. Following the loan closing we must compile and deliver closing documents to our Ginnie Mae approved document custodian and deliver the Ginnie Mae pool package to the pool processing agent. This process described above is what causes the time lapse from execution of the Trade Confirmation to the delivery of the Ginnie Mae security.

At the time Century, as lender, and the borrower agree to lock the interest rate, we solicit bids from up to seven investor firms that are approved by our warehouse lender. There is often considerable variation in the bids that we receive. It is a competitive market place and we take full advantage of that competition. Once we select an investor for a specific loan, we execute a Trade Confirmation within 24 hours.

The Trade Confirmation (our forward settling contract) varies by investor firm, but basically contains detailed information including:

- The name and address of the project
- The FHA Project Number and Section of the Housing Act that the loan is insured under
- The interest rate, term and amortization period of the mortgage loan
- The interest rate on the Security
- Prepayment limitations on the mortgage loan
- Specifies the payment of a Good Faith Deposit of 0.5% of the mortgage loan amount, which deposit will be refunded upon delivery of the Security, or will serve as liquidated damages in the event of a failure to deliver.
- The purchase price
- A deadline date for delivery of the security and extension fees to be paid to extend the delivery date.
- Settlement as "delivery versus payment" via the Federal Reserve System.

It is important to point out that this process is formalized in such a way to eliminate failed delivery of securities in all but extremely rare circumstances.

It is my understanding that the goal of the proposed FINRA margining rules and the TMPG Best Practices is to protect against counterparty failure. Counterparty failure in our small world of Ginnie Mae Project Loan and Construction Loan securities would mean the Lender fails to deliver a security in accordance with the Trade Confirm. It is important to point out that the proposed rule does nothing to protect Lenders against failure on the part of the broker/dealer.

As demonstrated above, the Lender and borrower have invested significant time and money to complete the underwriting and obtain the HUD Firm Commitment, and they have paid a good faith deposit to the investor Broker/Dealer upon execution of the Trade Confirmation. Movement in the interest rate market between the time we execute the Trade Confirmation and loan closing has no impact on our ability to deliver the security. The interest rate on the loan is locked at a level acceptable to the borrower who is so invested in completing the loan closing that failing to close is not an option. In our own case, upon a detailed review of more than ten years of security deliveries, there have been zero failures to deliver. I believe the experience of my colleagues in this business is very similar. The imposition of mark to market margining in this case is a classic example of a solution where there is not problem.

Implementation of mark to market margining in our circumstance will be extremely difficult, disruptive and potentially disastrous for Century, for the following reasons:

First, there is no market for the purchase and sale of Trade Confirms. The proxy would have to be the interest rate on the underlying mortgage loan or Ginnie Mae security. As I indicated above, we solicit bids from up to seven investor firms for each loan. The resulting bids can vary by as much as 100 bps. This variability is due to the different appetites for certain securities on any given day. How do you fix the "mark" so you can measure movement in the "market", when there is this much variability every day? This will cause major disputes when an investor firm demands margin from us because their measure of the "market" is based on their own appetite that may not be consistent with other market participants.

Second, mark to market margining (if you can figure out how to measure the "market") will be anti-competitive. We solicit bids from multiple firms to force them to compete for our business. This is advantageous for us and our borrowers in producing the lowest possible rates on the underlying loans. Under the proposed rule, each investor firm we deal with must complete a credit assessment of us. As a small firm, it is highly likely that several of the firms we currently deal with, will elect to exclude us as a market participant. Potentially, all of them could establish credit standards that we simply cannot satisfy due to our small size. **That would effectively put us out of business.**

That in turn would result in only the largest Ginnie Mae issuers participating in this market, depriving borrowers of valuable competition in the loan origination business ultimately driving up loan interest rates for rental housing and residential health care projects.

We concur with the recommendations of the Mortgage Bankers Association:

1) The rule should carve out multifamily transactions from coverage under the margin requirements. The multifamily finance market was not the reason for policymakers to consider margin requirements on agency securities, nor does this market present the systemic and counterparty risks that appear to have motivated the development of the rule.

2) Alternatively, the SEC and FINRA should exempt multifamily agency securitizations from the proposed margining requirements or expressly treat the Good Faith Deposit (held for the benefit of the broker-dealer/investor) as fully satisfying (and serving as a cap) for any margin requirement, including "variation" margin.

3) Eliminate any requirement to mark-to-market on a daily or frequent basis (as contemplated by the proposal), given the difficulties associated with marking-to-market on unique multifamily properties.

4) The 21-day comment period on the proposed margining rule should be extended significantly, given the depth and complexity of the issues presented. An economic impact analysis on the multifamily rental housing industry should be fully performed prior to the rule being finalized. And given the potential shock to the market (for which these rules were not designed), any implementation period must be lengthy, such as 2 years.

Please feel free to contact me via email ([redacted]) or phone with any questions or requests for additional information. This is a critical issue for the continued survival of Century Health Capital, Inc. and I urge you to give these comments your fullest consideration. Thank you.

Sincerely,

David F. Perry

David F. Perry
President