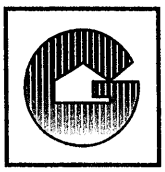


Gershman Mortgage

February 11, 2016

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

Re: 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 (File No. SR-FINRA-2015-036)

Dear Mr. Errett:

I am writing to respond to the Securities and Exchange Commission's request for comment on the order instituting proceedings to determine whether to approve or disapprove a proposed rule change by the Financial Industry Regulatory Authority (FINRA) to amend FINRA Rule 4210 to establish margin requirements for the TBA market, as modified by Partial Amendment No. 1.

I previously provided comment to the original proposed rule. This letter is primarily regarding changes to the Proposal made by Partial Amendment No. 1 regarding impact on the multifamily real estate finance market.As I noted previously, we are a small to mid-sized Lender, focused primarily on housing. We employ approximately 125 people throughout the Midwest and Rocky Mountain states.

We support Partial Amendment 1 and appreciate FINRA and the SEC's review of the unique character, existing safeguards and operation of the multifamily housing finance market. We strongly supportan exclusion for multifamily housing securities from the mandatory margin requirements proposed under FINRA Rule 4210. I applaud FINRA for recognizing the existing risk management tools and safeguards in multifamily agency finance, such as the posting of a good faith deposit for the benefit of the broker-dealer/investor and the extensive requirements and oversight from the Agencies throughout the entire transaction, in finding that an exception is warranted for these securities.

In response to the SEC's questions in the Proposal, we also do not believe that an exception for multifamily agency securities would pose risks to FINRA members nor to other market participants. As we previously noted, the multifamily finance market has operated through different market cycles without margining requirements. Long-standing risk management standards, ongoing monitoring, and property-specific underwriting and due

diligence have guarded multifamily agency securitizations for several decades. Multifamily securities also constitute a small portion of the Covered Agency Transactions market overall, which, as the Release states, supports the fact that multifamily securities do not pose systemic risk. We support FINRA's conclusion in the Release that the impacts on net margin calculation for FINRA members would be small based on FINRA's review of TBA market transactions.

Also, other risks, including counterparty risk, are adequately addressed by existing safeguards in the multifamily agency securitization market. Multifamily MBS trades are backed by a legally binding contract with a borrower. As part of this contract, the lender requires the borrower to place a Good Faith Deposit for the benefit of the broker-dealer. The Agencies also exercise extensive oversight and monitoring of lenders that originate multifamily loans and securitize through forward-settling platforms. They also require substantial net worth requirements. Because of these features, we believe that new issue multifamily agency securitizations should not require the posting of margin.

By providing an exception for multifamily securities, FINRA is allowing for the ongoing strength and efficiency of the multifamily agency securitization market while, at the same time, addressing concerns expressed by us and numerous commenters on the original rule filing. As I noted in my last letter, the original proposalwould have imposed undue burdens on participants in the multifamily securities market, and any benefits gained from any reduction of systemic risk and counterparty exposure would be substantially outweighed by the harms caused to the multifamily housing market. Thus the amendment is welcome!

We have several technical comments, discussed below, on the proposed conditions attached to the exception.

The proposed exception provides that a member may elect not to apply the margin requirements of the rule with respect to "Covered Agency Transactions" with a counterparty in multifamily housing securities, provided that:

> Such securities are issued in conformity with a program of an Agency, as defined in FINRA Rule 6710(k), or a GSE, as defined in FINRA Rule 6710(n), *and are documented as Freddie Mac K Certificates, Fannie Mae Delegated Underwriting and Servicing bonds, or Ginnie Mae Construction Loan or Project Loan Certificates, as commonly known to the trade*; (emphasis added)

We strongly support the inclusion of the above language in the proposed exception that covers the GSEs and Ginnie Mae. We also note that while these are the predominant multifamily agency executions, other transaction types (that may not technically fit within the enumerated categories) could be developed. Over time, the name of particular securities issued by the agencies could change as well. We believe that the final rule should ensure that other types of multifamily agency securities that may not technically fit within the above language do not inadvertently fall outside of the proposed exception.

Specifically, we recommend that FINRA amend the proposed condition to add the following text immediately after "Ginnie Mae Construction Loan or Project Loan Certificates": **"or other Agency or GSE securities with substantially similar characteristics that finance real estate with 5 or more residential units . . ."** This condition would ensure that similar multifamily securities products would be covered by the exception.

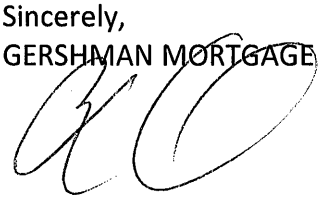
As it relates to "risk limit determination", the proposed exception requires that a FINRA member make a written risk limit determination for each counterparty regarding multifamily securities. Under the Proposal, the risk limit determination must be made by a designated credit risk officer or credit risk committee in accordance with the FINRA member's written risk policies and procedures.

It is critical for FINRA members to have sufficient flexibility in making a risk limit determination to guard against disruptions to the manner in which FINRA members and counterparties currently conduct business. I urge FINRA to exercise care in the manner in which they are implemented. In particular, risk limit determinations contemplated by the Proposal should be consistent with existing practices and arrangements between broker-dealers and mortgage bankers who understand the character of the collateral (multifamily real estate), the underwriting and lending process, and the unique securitization process that supports the financing of multifamily rental housing.

The Proposal provides some flexibility for FINRA members in making its risk limit determination. We appreciate the clarity provided that a FINRA member need not write a separate risk limit determination for the types of products addressed by each counterparty; rather, "one written risk limit for each counterparty should suffice, provided it addresses the products."

We believe these provisions are positive steps toward ensuring that FINRA members are not compelled to change their risk management practices in a manner that may have an adverse impact on the multifamily securities market. We strongly encourage FINRA to work with market participants as it continues to consider the Proposal to ensure that flexibility is provided to broker-dealerFINRA members and avoid the unnecessary posting of margin in new issue multifamily agency securitizations.

Sincerely,
GERSHMAN MORTGAGE



Bruce Sandweiss
Executive Vice President