

Reverse Mortgage REIT Blames Rate Hikes For \$10B+ Ch. 11

By **Rick Archer**

Law360 (November 30, 2022, 3:18 PM EST) -- New Jersey-based real estate investment trust Reverse Mortgage Investment Trust Inc. Wednesday filed for Chapter 11 protection in Delaware bankruptcy court with more than \$10 billion in debt, blaming rising interest rates and other market disruptions.

In an announcement, the firm said it had made the decision to preserve its value and monetize its assets after weeks of discussion with constituents.

"The company is in ongoing, productive discussions with its mortgage servicing rights secured lender and other industry players, including Ginnie Mae, to achieve an agreement that ensures a smooth landing for the company's servicing portfolio, as well as other obligations," it said, referring to the Government National Mortgage Association or GNMA.

The announcement said the mortgage industry as a whole has been facing recent adverse trends, including "unprecedented" interest rate hikes, credit spread widening and volatility in fixed income markets.

"The market disruption has increased capital requirements to originate and finance new loans and support the company's servicing portfolio, which severely strained RMIT's liquidity position and depleted the company's book value," it said.

It said earlier in November that it had paused all loan originations and conducted layoffs.

The company said it is working to secure Chapter 11 financing and transfer the remaining loans in its pipeline to other lenders.

An affiliate of Starwood Capital Group, RMIT invests in reverse mortgages and reverse mortgage-backed securities. It issues reverse mortgages through a subsidiary, Reverse Mortgage Funding LLC, which services about 84,000 reverse mortgages, according to its website.

The company has retained FTI Consulting as its financial adviser.

RMIT is represented by Michael J. Barrie, Jennifer R. Hoover, Kevin M. Capuzzi and John C. Gentile of Benesch Friedlander Coplan & Aronoff, and Stephen Hessler, Thomas Califano and Anthony Grossi of Sidley Austin LLP.

The case is In re: Reverse Mortgage Investment Trust Inc., case number 1:22-bk-11225 in the U.S. Bankruptcy Court for the District of Delaware.

--Editing by Robert Rudinger.

Update: This article has been updated with more information about Reverse Mortgage Investment Trust.