

Reverse Mortgage REIT Can Draw \$13M For Ch. 11

By **Leslie A. Pappas**

Law360 (December 5, 2022, 6:59 PM EST) -- Reverse Mortgage Investment Trust Inc. received a Delaware bankruptcy court's approval Monday to tap into \$13 million of unsecured bankruptcy financing, allowing it to keep making payments on its \$25.57 billion portfolio of reverse mortgages as it restructures and winds down in Chapter 11.

U.S. Bankruptcy Court Judge Mary F. Walrath approved the interim relief at a virtual first day hearing after an attorney for the New Jersey-based real estate investment trust said the financing would fall through without immediate court approval.

"We're looking at a hard deadline of 1 p.m. today to get money for consumers," one of the debtor's attorneys, Patrick Venter of Sidley Austin LLP, told the court.

BNGL Holdings LLC, an affiliate of the debtors' parent Starwood Capital Group, has agreed to provide \$13 million on an interim basis to help transition the reverse mortgage portfolio to a new platform and facilitate an orderly wind-down of the company's business operations.

Reverse Mortgage **filed for bankruptcy** on Nov. 30, blaming rising interest rates on a cash squeeze.

The company laid off 472 employees on Nov. 29, triggering a putative **class action complaint** from the workers for failing to give 60 days' notice as required under the Worker Adjustment and Retraining Notification Act.

The company is one of the largest originators of reverse mortgages in the U.S., holding a 12% market share and serving more than 130,000 loans, according to Anthony Grossi of Sidley, another of the debtor's attorneys, at the hearing Monday.

The company was forced to file for Chapter 11 protection after rising interest rates slowed down originations and increased the cost of carrying the loans, which "slowly and then quite rapidly ate up our liquidity," Grossi told the court.

The company is still negotiating the transfer of the mortgage servicing rights from one of its warehouse lenders, Leadenhall Capital Partners LLP, to a new servicer, Longbridge Financial LLC, he said.

Leadenhall and Starwood may provide an additional \$20 million later, in which case the company will schedule another hearing, Reverse Mortgage told the court.

The bankrupt real estate investment trust has approximately \$1.4 billion of funded indebtedness and \$1.7 billion "in total used and unused capacity" in 12 different facilities, Tanya Meerovich, the company's chief restructuring officer, said in a **court declaration** describing the debtor's business.

Approximately 93% of the loans in its reverse mortgage portfolio are insured by the Federal Housing Administration and are pooled into Government National Mortgage Association securitizations, the declaration said.

For the 12 months ending Sept. 30, the company had a \$28.8 million after-tax net loss, and its origination volume has significantly decreased, the declaration said.

At the same time, its buyout obligations kept increasing. For November, they were approximately

\$144 million, and in December, they are expected to be \$161 million, the company said Monday.

Reverse Mortgage forecasts that it will incur approximately \$2.1 billion in buyout obligations over the next year and a total of approximately \$13.8 billion in buyout obligations over the next seven years, according to Meerovich's declaration.

Judge Walrath on Monday also allowed the company to tap into its cash collateral and pay most of the bills to keep operating. But she declined to immediately approve what would normally be routine motions to pay taxes and insurance, finding Reverse Mortgage had not included caps on the amounts it might spend in the next 21 days.

The company said Monday it would revise those motions and refile them under certification of counsel.

The debtors are represented by Stephen E. Hessler, Thomas Califano, Anthony Grossi, Patrick Venter, Jason L. Hufendick, Juliana Hoffman and Charlie Saad of Sidley Austin LLP and Michael J. Barrie, Jennifer R. Hoover, Kevin M. Capuzzi, John C. Gentile and Steven Walsh of Benesch Friedlander Coplan & Aronoff LLP.

The main 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.

--Additional reporting by Rick Archer. Editing by Adam LoBelia.