

Bankrupt Reverse Mortgage Servicer Gets \$34.5M Loan

By **Leslie A. Pappas**

Law360 (December 8, 2022, 8:17 PM EST) -- Reverse Mortgage Investment Trust Inc. secured bankruptcy court approval Thursday for an immediate \$34.5 million to keep payments flowing to consumers while it restructures in Chapter 11, the debtor's second interim loan from what could eventually be as much as \$124.5 million in bankruptcy financing.

At a virtual hearing with Delaware U.S. Bankruptcy Judge Mary F. Walrath — the company's second emergency hearing since declaring bankruptcy — New Jersey-based RMIT struggled to explain multiple updates to financing agreements with its prepetition secured lenders and other stakeholders.

"What exactly are you asking me to approve? The document that you sent this morning, or the document that you just minutes ago filed?" Judge Walrath asked at the beginning of the hourlong hearing, which consisted mostly of reviewing last-minute changes to multiple financing documents.

Judge Walrath ultimately agreed to approve the company's **second request** for interim debtor-in-possession financing, which will allow the company to make another round of payments to consumers on Friday. The full \$124.5 million is still subject to final approval at a later hearing.

Up to \$44.5 million of the total post-petition debtor-in-possession financing is being provided by Leadenhall Capital Partners LLP and the debtor's parent, BNGL Holdings LLC, an affiliate of Starwood Capital Group.

In addition, Texas Capital Bank has agreed to provide RMIT with up to \$80 million through a short-term loan facility and to allow limited use of cash collateral, the company's chief restructuring officer, Tanya Meerovich, said in a **supplemental declaration** filed Thursday.

The hearing Thursday marked the second time this week that Judge Walrath has **approved interim financing** for the reverse mortgage servicer.

RMIT, one of the largest originators of reverse mortgages in the U.S., **filed for bankruptcy** at the end of November, blaming rising interest rates for a sudden liquidity crisis.

The company holds a 12% market share in reverse mortgage loan originations and about 41% of all tail securitizations. In the reverse mortgage industry, a "tail" is a principal addition to a reverse mortgage borrower's loan balance that may be securitized.

The majority of loans in RMIT's reverse mortgage portfolio are insured by the Federal Housing Administration and are pooled into mortgage-backed securities guaranteed by the Government National Mortgage Association, more commonly known as Ginnie Mae.

The debtor-in-possession financing requested at the hearing Thursday will cover RMIT's "tail" obligations, the debtor's attorney, Anthony Grossi of Sidley Austin LLP, said at the hearing.

The interim financing will also help facilitate ongoing negotiations for the transfer of the mortgage servicing rights of its government-backed loan portfolio from Leadenhall to a new servicer, Longbridge Financial LLC, Grossi said.

The interim financing approved will not cover the company's buyout obligations, which are triggered

when the outstanding principal balance reaches a certain level or becomes due and payable when a borrower has died. The company estimates that it will incur approximately \$2.1 billion in buyout obligations over the next 12 months, according to its court filings.

RMIT is still working to secure financing for its buyout obligations, Grossi said Tuesday.

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.

--Editing by Rich Mills.