

## Reverse Mortgage Servicer Still Fighting Over DIP

By **Leslie A. Pappas**

Law360 (February 15, 2023, 5:25 PM EST) -- Reverse Mortgage Investment Trust Inc. said Wednesday that it had struck a deal with unsecured creditors and its parent sponsor for an additional \$15 million for its Chapter 11, but it remains in dispute with its lender Leadenhall Capital Partners, which objects to the terms of the deal.

The New Jersey-based reverse mortgage servicer filed the proposed settlement late Tuesday and **asked the court** to consider approving it at a hearing next week.

"We object to such dramatic relief being heard on such short notice," Suzzanne S. Uhland of Latham & Watkins LLP, an attorney for Leadenhall Capital Partners LLP, told the court at a virtual hearing Wednesday. "It is completely improper."

RMIT, previously one of the largest originators of reverse mortgages in the U.S., **filed for bankruptcy** at the end of November with more than \$10 billion in debt, blaming rising interest rates for its sudden liquidity crisis.

The Wednesday hearing with U.S. Bankruptcy Court Judge Mary F. Walrath was initially supposed to consider final approval of RMIT's debtor-in-possession financing, but it was changed to a status conference after RMIT filed the settlement proposal.

RMIT has had to reschedule several hearings because it has been unable to resolve ongoing disputes over its debtor-in-possession financing, or DIP.

The **proposed settlement** between RMIT, its unsecured creditors and its parent company BNGL Holdings LLC, an affiliate of Starwood Capital Group, would resolve some of the financing disputes.

"The settlement that is before the court settles the committee's objections to the DIP," Mark S. Indelicato of Thompson Coburn LLP, counsel for the official committee of unsecured creditors, said Wednesday.

Under the settlement, BNGL would provide RMIT with \$15 million on top of the \$10 million it already provided in exchange for releases of liabilities.

The settlement "resolves potential litigation that could further extend the debtors' bankruptcy proceedings for years to come and would force the debtors to invest in lengthy and costly litigation pursuing claims that have a speculative recovery," Patrick Bartels, an independent director of Reverse Mortgage Investment Trust Inc., said in a court **declaration**.

RMIT warned that if it doesn't secure the additional financing from BNGL, it will be forced to convert the cases to a Chapter 7 liquidation.

"The company is running dangerously low on liquidity," RMIT's attorney, Anthony Grossi of Sidley Austin LLP, told the court Wednesday.

**Leadenhall objects** to the proposal, saying it would dilute liens and re-prioritize Leadenhall's rights under the interim DIP financing order, Uhland said.

"If the debtor wants to go forward with a settlement that puts in new financing that doesn't alter the existing priorities, we're open to talking about it, but they want to reconfigure everything," she said.

"It impairs our rights dramatically."

Leadenhall, one of RMIT's prepetition lenders, gave RMIT an additional \$7.3 million after it filed for bankruptcy to help facilitate the transfer of the mortgage servicing rights of its government-backed loan portfolio to a new servicer, Longbridge Financial LLC.

RMIT later defaulted, and the loan portfolio was seized by the government.

"Leadenhall put into this estate \$7.3 million of cash collateral and DIP financing in anticipation of a transfer that didn't happen," Uhland said Wednesday. "We're entitled to adequate protection."

Judge Walrath scheduled a hearing to consider the settlement on Feb. 22. She expressed doubt that she would be able to rule on the settlement without also hearing about the DIP financing disputes.

"I hope the parties talk between now and then, because it seems like we're going to have a battle on the 22nd," Judge Walrath said.

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

The committee of unsecured creditors is represented by Mark S. Indelicato, Mark T. Power and Joseph Orbach of Thompson Coburn LLP and Regina Stango Kelbon, Josef W. Mitz and Lawrence R. Thomas III of Blank Rome LLP.

Leadenhall Capital Partners LLP is represented by Suzanne S. Uhland, Andrew C. Ambruso, Tianjiao (TJ) Li and Alexandra M. Zablocki of Latham & Watkins LLP and Michael R. Nestor, Kara Hammond Coyle and Joseph M. Mulvihill of Young Conaway Stargatt & Taylor 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 Rich Mills.