

## Reverse Mortgage Trust Gets OK For \$15M DIP Settlement

By **Leslie A. Pappas**

Law360 (February 22, 2023, 8:55 PM EST) -- Reverse Mortgage Investment Trust Inc. secured \$15 million in bankruptcy financing to wind down its estate under a global settlement that a Delaware bankruptcy judge approved Wednesday after the reverse mortgage servicer resolved stringent objections from a lender.

U.S. Bankruptcy Court Judge Mary F. Walrath gave her nod to the settlement at a hearing conducted virtually Wednesday afternoon after the lender confirmed that a **revised settlement document** addressed its concerns, and no other party raised objections to the deal.

"Well, it looks like it truly is consensual since no one is stepping in to speak," Judge Walrath said at the hearing. "It looks like the parties have worked out their differences — at least for today."

The settlement resolved objections to the company's **debtor-in-possession financing**, which Judge Walrath also said she would approve after no one at the hearing raised objections.

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.

RMIT **told the court** last week that it had reached a deal with unsecured creditors and its parent sponsor over the debtor-in-possession financing, but had been unable to resolve disputes with its lender, Leadenhall Capital Partners LLP, and its affiliate, collateral agent Leadenhall Life Insurance Linked Investments Funds Plc.

The global settlement is "a massive step forward in these Chapter 11 cases," RMIT's attorney, Anthony Grossi of Sidley Austin LLP, told the court Wednesday.

As part of the settlement, RMIT's parent company, BNGL Holdings LLC, an affiliate of Starwood Capital Group, will provide an additional \$8 million in cash on top of \$7 million it already provided, Grossi said.

The settlement paves the way for possible recovery for unsecured creditors, Mark S. Indelicato of Thompson Coburn LLP, representing the official committee of unsecured creditors, told the court Wednesday.

"Without this, your honor, I believe this would have been converted" to a Chapter 7 liquidation and RMIT would have become administratively insolvent, he said. "Employees would have been terminated immediately, and there would have been no recovery."

Leadenhall objected to the settlement on Tuesday, saying the deal disregarded Leadenhall's cash collateral and its other rights as a secured creditor and had been "designed to short-circuit the bankruptcy code's safeguards."

At the hearing Wednesday, Leadenhall confirmed that **the objections it filed** on Tuesday had been resolved, but reserved its rights to object to the company's plan and multiple other actions in the future.

"We reserve the right to object to the plan and disclosure statement," Lendenhall's attorney, Suzanne S. Uhland of Latham & Watkins LLP, told the court. Leadenhall also continues to dispute various aspects of the settlement, the bankruptcy financing, the definition of unencumbered collateral, and reserves its right to object to the consolidation of the debtors, she 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. Mintz and Lawrence R. Thomas III of Blank Rome LLP.

Leadenhall Capital Partners LLP is represented by Suzanne S. Uhland, Andrew C. Ambruoso, 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 Jill Coffey.