



Impac Mortgage Holdings, Inc. Announces Business Update

03/08/23

NEWPORT BEACH, Calif.--(BUSINESS WIRE)--Mar. 8, 2023-- Impac Mortgage Holdings, Inc. (NYSE American: IMH) (the "Company") is providing the following business update:

The Company continues to responsibly assess its operating strategies to navigate current market and industry conditions, including business model review and expense reduction initiatives.

In December 2022, the Company negotiated a buy-out of its legacy commercial lease for \$3.0 million, reducing its office space footprint from 120,000 to 19,000 square feet. The relocation was made possible by the Company's ability to maintain a hybrid and remote workforce both during and following the Covid crisis, thereby minimizing physical office space needs. The new lease term runs through July 31, 2025 with a total expense of approximately \$800 thousand over the term of the new lease, as compared to over \$8.8 million that remained under the prior lease.

In line with its business review and expense reduction initiatives, the Company recently repositioned its retail consumer direct lending division into a mortgage broker fulfillment model. The shift to a broker model allows the Company to originate a variety of products that serve its national consumer base at a reduced cost per loan due to significant expense abatement relative to specialized staffing, operations, technology and business promotion. The broker channel will support an expanded suite of loan products and programs, offering enhanced flexibility with respect to credit, pricing, best in class technology, and product development and maintenance. The Company has partnered with established lenders to ensure its consumers continue to receive an optimized experience. The Company expects Non-QM originations to continue to be the dominant product in the mortgage broker channel.

The Company's third-party origination ("TPO") channel, in line with industry cohorts, experienced significant volume and margin deterioration in 2022. These conditions have persisted into the first quarter of 2023. The Company has decided to wind-down operations within the TPO channel. The Company will continue to honor its pipeline and related obligations and commitments to its business-to-consumer and business-to-business partners, as it has done historically. The Company remains in good standing with its warehouse lenders, whole loan take-out investors, regulators, vendors and subservicing counterparties.

As a result of the Company's lack of conventional GSE origination volume and servicing rights over the past several years, with no direct GSE deliveries to Fannie Mae or Freddie Mac since 2016 and 2020, respectively, the Company intends to voluntarily relinquish its GSE Seller/Servicer designation which has been suspended during these periods of non-delivery. The Company expects to be a third-party originator to support its broker model as needed.

Mr. George A. Mangiaracina, Chairman and CEO of Impac Mortgage Holdings, Inc., commented, "The residential mortgage market continues to be challenged by adverse macro-economic conditions ushered in by rate and credit dislocation that commenced in the fourth quarter of 2021. Non-transitory inflation and Fed tightening, coupled with widening credit spreads, has reduced the addressable market for our product offerings. Despite competitor consolidation and closures, excess industry origination capacity remains, evidenced by participants pricing to decreased net margins in pursuit of market share. The Company has no intention of engaging in systematic, non-economic activities. The Company has no visibility as to when these dislocations will abate and return the industry to normalized volumes and margins. The proactive initiatives that the Company accomplished in 2022 and early 2023, have helped align the stakeholders of the Company's capital stack and reduced its overall operating expense load. The steps the Company outlines in this business update continue the theme of eliminating complexity and reducing costs from the Company's corporate and operating verticals, permitting the Company to focus on complimentary strategic ventures, adjacent revenue opportunities and attendant capital raise and corporate finance activities."

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "capable," "will," "intends," "believe," "expect," "likely," "potentially," "appear," "should," "could," "seem to," "anticipate," "expectations," "plan," "ensure," "desire," or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: any adverse impact or disruption to the Company's operations; changes in general economic and financial conditions (including federal monetary policy, interest rate changes, and inflation); increase in interest rates, inflation, and margin compression; ability to successfully operate as a broker; ability to successfully sell loans to third-party investors; successful development, marketing, sale and financing of new and existing financial products; volatility in the mortgage industry; performance of third-party sub-servicers; our ability to manage personnel expenses; our ability to successfully use warehousing capacity and satisfy financial covenants; our ability to maintain compliance with the continued listing requirements of the NYSE American for our common stock; increased competition in the mortgage lending industry by larger or more efficient companies; issues and system risks related to our technology; ability to successfully create cost and product efficiencies through new technology including cyber risk and data security risk; more than expected increases in default rates or loss severities and mortgage related losses; ability to obtain additional financing through lending and repurchase facilities, debt or equity funding, strategic relationships or otherwise; the terms of any financing, whether debt or equity, that we do obtain and our expected use of proceeds from any financing; increase in loan repurchase requests and ability to adequately settle repurchase obligations; failure to create brand awareness; the outcome of any claims we are subject to, including any settlements of litigation or regulatory actions pending against us or other legal contingencies; impact on the U.S. economy and financial markets due to the continued effect of the COVID-19 pandemic; and compliance with applicable local, state and federal laws and regulations.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking

statements, see our latest Annual Report on Form 10-K and Quarterly Reports on Form 10-Q we file with the SEC and in particular the discussion of "Risk Factors" therein. This document speaks only as of its date and we do not undertake, and expressly disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements except as required by law.

About the Company

Impac Mortgage Holdings, Inc. (IMH or Impac) provides innovative mortgage lending and real estate solutions that address the challenges of today's economic environment. Impac's operations include mortgage lending, servicing, portfolio loss mitigation, real estate services, and the management of the securitized long-term mortgage portfolio, which includes the residual interests in securitizations.

For additional information, questions or comments, please call Justin Moiso, Chief Administrative Officer at (949) 475-3988 or email Justin.Moiso@ImpacMail.com.

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