



Impac Mortgage Holdings, Inc. Announces Third Quarter 1999 Net Earnings of \$5.4 million as Compared to Third Quarter 1998 Net Loss of \$20.6 million

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IMPAC MORTGAGE HOLDINGS, INC.

(AMEX: IMH)

Impac Mortgage Holdings, Inc. Announces Third Quarter 1999 Net Earnings of \$5.4 million as Compared to Third Quarter 1998 Net Loss of \$20.6 million Loan Production of \$440 million at Impac Funding Corporation during the Third Quarter of 1999 Represents Annualized Growth of 64%

Monday, October 25, 1999

Newport Beach, CA.

– Impac Mortgage Holdings, Inc. (the "Company" or "IMH": AMEX-IMH), a real estate investment trust, announced net earnings of \$5.4 million, or \$0.22 per diluted common share, for the third quarter of 1999 as compared to a net loss of \$20.6 million, or \$(0.85) per diluted common share, for the third quarter of 1998. Net earnings and earnings per diluted common share for the third quarter of 1999 represent a 4% increase over second quarter of 1999 net earnings of \$5.2 million or \$0.21 per diluted common share. Net earnings for the first nine months of 1999 were \$15.9 million, or \$0.63 per diluted common share, as compared to net earnings of \$2.2 million, or \$0.09 per diluted common share, for the first nine months of 1998. Earnings results for both the third quarter of 1999 and for the first nine months of 1999 continue to include significant favorable trends including increased loan production and liquidity, improved profitability on the sale of mortgage loans and increased book value per share. The Company's Board of Directors previously declared an increase of 8.3% to the third quarter dividend to \$0.13 per common share, paid on October 15, 1999, to stockholders of record on September 30, 1999. The Company also previously declared a third quarter preferred stock dividend of \$0.66 per convertible preferred share. For the first nine months of 1999, the Company declared common stock dividends of \$0.35 per common share and preferred stock dividends of \$2.05 per convertible preferred share.

Loan Production

Total loan production at Impac Funding Corporation ("IFC"), IMH's Conduit Operations, increased by 16% to \$440.0 million during the third quarter of 1999 as compared to \$379.9 million during the second quarter of 1999. IFC's increase in loan production during the third quarter of 1999 occurred during a period of an estimated 18% decrease in national loan originations as forecast by the Mortgage Bankers Association. In addition, loan production from the retail and wholesale loan divisions during the third quarter of 1999 increased to \$33.8 million as compared to \$12.3 million during the second quarter of 1999. The Company has not experienced a decrease in its loan production as a result of increased mortgage rates and decreased mortgage refinancing. Joseph R. Tomkinson, Chairman and CEO of Impac Mortgage Holdings, Inc. states, "IFC has historically relied on the mortgage purchase market and is less reliant upon refinancing as compared to most of our competitors whose production is overall down 20-40% during the same period of time. Mr. Tomkinson also stated "The Company has increased its production as a result of a concentrated effort to increase our customer base." He said, "We have approximately a 20% increase in the number of customers delivering loans in the third quarter as compared to the second quarter." We hope this trend will continue to provide growth in production as others in the industry may experience a decrease." The following table represents IFC's refinance production as a percentage of total production as compared to national averages:

Refinancing as a Percent of the Total

Residential Production Market (1)

1. Calculated as cash and marketable securities rated AAA through BBB.
2. Calculated as warehouse borrowings, reverse repurchase agreements, dividends payable, and other short-term liabilities.

Common Stock Repurchases and Book Value

During the quarter ended September, 1999, the Company repurchased 640,100 shares of common stock for \$2.9 million at an average price of \$4.50 per share. The Company's total stock repurchases for the year are 1.3 million shares for \$6.8 million at an average price of \$5.10 per share.

The Company's book value per common share increased to \$9.49 (calculated assuming liquidation value of the Company's Series B Cumulative Convertible Preferred Stock ("preferred stock")) at September 30, 1999 as compared to book value per common share of \$9.02 at December 31, 1998. The increase in book value was attributable to the retention of earnings, the exchange offer completed in the second quarter and the repurchase of the Company's stock in the open market.

Acquisition of California Industrial Thrift and Loan

During the first quarter of 1999, the Company completed a definitive agreement to acquire a bank. As provided for in the agreement, the Company submitted its application in the second quarter of 1999 for a change of control to the state and federal regulatory agencies for their approval. During the process of reviewing the application, particularly the federal regulator raised certain issues. We were not able to give the federal agency sufficient comfort with respect to those issues without modifying our proposal. Also, the state regulatory department requested significant additional information which had the effect of delaying the approval process. At this time, the Company has decided to withdraw its state and federal applications for change of control and intends on resubmitting a new application at a later date that addresses the business concerns expressed by the regulators. However, there are no assurances that new applications for change of control will be received favorably by either of the state and federal regulators. Therefore, the Company is continuing to expand

its wholesale and retail operations, which was intended to be contributed to the bank, within IFC. In the event that the Company is unsuccessful in its efforts to obtain the bank charter, Management believes that it will have no effect on the future profitability of the Company.

IMH Results of Operations

Third Quarter of 1999 compared to Third Quarter of 1998

Net Interest Income. Net interest income was \$5.9 million during the third quarter of 1999 as compared to \$11.7 million during the third quarter of 1998. Gross interest income earned on Mortgage Assets, or core earnings, decreased during the third quarter of 1999 to \$26.7 million as compared to \$45.3 million during the third quarter of 1998. Mortgage Assets are comprised of mortgage loans held-for-investment, Collateralized Mortgage Obligation ("CMO") collateral, finance receivables and investment securities available-for-sale. During the third quarter of 1999 core earnings decreased as average Mortgage Assets decreased to \$1.5 billion as compared to \$2.2 billion during the third quarter of 1998. The decrease in average Mortgage Assets was primarily the result of a decrease in average finance receivables. Average finance receivables decreased to \$261.6 million during the third quarter of 1999 as compared to \$704.0 million during the third quarter of 1998 primarily due to a decrease in average finance receivables to IFC as IFC continues to sell loans primarily in monthly whole loan transactions. The yield on average Mortgage Assets during the third quarter of 1999 was 7.17% as compared to 8.06% during the third quarter of 1998. The net interest spread on Mortgage Assets was 0.71% for the third quarter of 1999 as compared to 1.46% during the third quarter of 1998. Net interest margin was 1.52% during the third quarter of 1999 as compared to 2.09% during the third quarter of 1998. The decrease in mortgage yields was attributable to increased amortization of premiums as a result of higher prepayment experience and prepayment of higher yielding mortgage assets during 1999.

Non-Interest Income. Non-interest income includes equity in net earnings of IFC and other non-interest income, including primarily loan servicing fees and fees associated with the Company's Warehouse Lending Operations. During the third quarter of 1999, non-interest income increased to \$3.8 million as compared to \$(9.5) million during the third quarter of 1998. This increase was primarily due to an increase of \$10.9 million in equity in net earnings (loss) of IFC to \$3.0 million during the third quarter of 1999 as compared to a loss of \$(7.9) million during the third quarter of 1998. The loss for the third quarter of 1998 was primarily due to non-cash charges that required the Company and its subsidiaries to make certain write-downs of its mortgage loans, equity investments and investment securities available-for-sale portfolios.

Non-Interest Expense.

During the third quarter of 1999, non-interest expense decreased to \$2.1 million as compared to \$23.1 million during the third quarter of 1998. This decrease was primarily due to a decrease in write-down of investment securities to \$358,000 during the third quarter of 1999 as compared to \$11.6 million during the third quarter of 1998. The write-down of investment securities during the third quarter of 1998 was primarily due to the deterioration of the mortgage-backed securitization market during the latter half of 1998 and the \$9.1 million loss on the sale of Impac Commercial Holdings, Inc. ("ICH") common stock. Excluding the write-down of investment securities and loss on sale of ICH common stock, non-interest expense during the third quarter of 1999 decreased 29% to \$1.7 million as compared to \$2.4 million during the third quarter of 1998.

IFC Results of Operations

Third Quarter of 1999 compared to Third Quarter of 1998

Net earnings during the third quarter of 1999 increased to \$3.0 million as compared to a net loss of \$(7.9) million during the third quarter of 1998. Net earnings during the third quarter of 1999 increased primarily as a result of a mark-to-market loss of \$21.0 million recorded during the third quarter of 1998. The non-cash charge reflected market bid prices that IFC received for the sale of mortgage loans in the fourth quarter of 1998 on a whole loan basis as a result of the deterioration of the mortgage-backed securitization market.

Total assets at September 30, 1999 decreased to \$145.0 million as compared to \$313.9 million at December 31, 1998, while shareholders' equity increased 47% to \$19.0 million as compared to \$12.9 million, respectively. In addition, liquidity improved as cash balances increased to \$10.5 million at September 30, 1999 as compared to \$422,000 at December 31, 1998. The increase in liquidity was primarily due to a cash infusion of \$14.5 million from IMH in exchange for a promissory note. Liquidity also improved as of September 30, 1999 as a result of whole loan sales for cash during the first nine months of 1999.

The Company has announced a conference call on Monday, October 25, 1999 at 1:30 p.m. pacific standard time to discuss the results of the Company's third quarter earnings. The conference call will be limited for discussion to certain buy-side and sell-side analysts and open for "listen only" to all those other parties interested. To participate please call (888) 303-1413. In addition, a replay of the conference call will be available for 48 hours following the call. To listen to the replay please dial (800) 633 - 8284, reservation number: 13386989.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking terminology such as "may", "will", "intend", "expect", "anticipate", "estimate" or "continue" or the negatives thereof or other comparable terminology. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including but not limited to, changes in the origination and resale pricing of mortgage loans, changes in management's estimates and expectations, general financial markets and economic conditions and other factors described in this press release. The financial information presented in this release pertaining to actual results should not be taken to predict future earnings, as the Company may not experience similar earnings in future periods.

[Excel Balance Sheet](#)

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