Impac Mortgage Holdings, Inc. Announces Operating Earnings of $3.3 million, or $0.12 per share, prior to non-recurring, non-cash accounting charges, for the Second Quarter of 2000

August 4, 2000

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Newport Beach, Ca. – Impac Mortgage Holdings, Inc. (the "Company" or "IMH": AMEX-IMH), a real estate investment trust ("REIT"), announces operating earnings of $3.3 million, or $0.12 per diluted common share prior to non-recurring, non-cash accounting charges ("accounting charges") of $33.6 million, as compared to earnings of $6.0 million, or $0.21 per diluted common share, for the second quarter of 1999. Of the $33.6 million accounting charges the Company recognized during the second quarter of 2000, $29.2 million was related to write-downs on investment securities available-for-sale ("investment securities") and $2.6 million was provided for additional increases in the Company's allowance for loan losses related to its high loan-to-value ("HLTV") second trust deed portfolio. Due to the continued deterioration in the performance of collateral supporting specific investment securities, which were partially written-down during the first quarter of 2000, the Company wrote-off substantially all remaining book value on these investment securities during the second quarter of 2000. Accounting charges recorded during the second quarter of 2000 include the write-off of substantially all investment securities secured by HLTV second trust deeds, investment securities secured by franchise mortgage receivables and certain sub-prime subordinated securities all of which were acquired prior to 1998. Subsequent to 1997, the Company's investment strategy has been to only acquire or invest in investment securities that are secured by mortgage loans underwritten and purchased ("Impac Securities") by Impac Funding Corporation ("IFC"), the Company's Conduit Operations due to their superior historical performance. Additionally, IFC wrote off substantially all of its remaining investment securities portfolio, which was secured by franchise mortgage receivables, during the second quarter of 2000, which resulted in an after-tax charge to the Company of $1.0 million.

After recognition of accounting charges, net loss for the second quarter of 2000 was $(30.3) million, or $(1.45) per basic and diluted common share, as compared to earnings of $6.0 million for the second quarter of 1999. The recognition of accounting charges decreased diluted book value by 15% to $6.51 per common share at June 30, 2000 as compared to diluted book value of $7.63 per common share at March 31, 2000. As of June 30, 2000, total cash balances at IMH and IFC were $28.1 million as compared total cash balances of $29.0 million at December 31, 1999.

Mr. Joseph R. Tomkinson, Chairman and CEO of the Company commented, "by taking the write-down on our investment securities portfolio, we have properly reflected the deterioration in these asset classes. Furthermore, based on losses and delinquencies in the HLTV portfolio, which increased during the second quarter of 2000 as compared to the first quarter of 2000, management increased the loan loss allowance to provide for losses inherent in what remains of the Company's HLTV loan portfolio." As previously announced, the Company continues to vigorously pursue all collection efforts on its previously charged-off portfolio. Should the Company receive unanticipated cash flows in excess of current expectations, these recoveries would be recorded as income in the period received. The assets remaining on the Company's balance sheet continue to be profitable and produce positive cash flow.

Mr. Tomkinson further commented, "although I am disappointed that the Company recorded a loss during the second quarter of 2000 and for the year, the Board of Director's, the management team and myself are committed to future growth and profitability. We strongly believe that this will be accomplished by focusing on the Company's core operating businesses, which are the warehouse and mortgage lending operations in addition to rebuilding the Company's balance sheet through the long-term investment operations. Warehouse lending continues to experience growth and profitability, while minimizing credit risk, and mortgage lending, which is currently providing operating earnings and positive cash flows will further benefit from the growth of the wholesale and retail mortgage lending businesses and the implementation of IDASL, IFC's internet-based loan approval system." IDASL stands for Impac Direct Access System for Lending.

On June 27, 2000, the Company announced a common stock dividend of $0.12 per share paid on July 17, 2000 to common stockholders of record on July 6, 2000. The Company's Board of Directors also declared a second quarter dividend on Series C Preferred Stock of $0.65625 per share, paid on July 25, 2000 to preferred stockholders of record on July 6, 2000.

IFC Increases Utilization of its Automated Underwriting System, called IDASL, to its Correspondent Customers during the Second Quarter of 2000

During the second quarter of 2000, the Company's customers increased utilization of its IDASL system. IDASL is an interactive internet-based system that enables our customers to receive automated loan approval decisions and guaranteed pricing all within a few minutes. Utilizing our streamlined mortgage loan programs, IDASL is designed to be user-friendly, deliver consistent underwriting decisions and reduce the entire process of submitting, underwriting and pricing a mortgage loan from up to several days to a few minutes. Future enhancements to the IDASL system will include the ability to provide automated mortgage insurance approval, fraud detection and electronic property appraisal that will further streamline the entire mortgage application and approval process. The Company has increased the monthly volume of loans submitted through IDASL to $236.0 million per month. With the implementation of IDASL, the Company anticipates improved profit margins, lower cost of originations and increased profitability at all levels of its business operations. Most importantly, IDASL allows the Company to move closer to its borrowers with minimal future capital investment while maintaining centralization, a key factor in the success of the Company's operating strategy.

Impac Lending Group ("ILG"), a division of IFC, Increases Wholesale and Retail Loan Production by 212% to $60.5 million during the Second Quarter of 2000 as compared the First Quarter of 2000

Wholesale and Retail Loan Production

Total wholesale and retail loan production increased 212% to $60.5 million during the second quarter of 2000 as compared to $19.4 million during the first quarter of 2000. As of June 30, 2000, ILG increased its approved mortgage brokers by 73% to 316 as compared to 183 at December 31, 1999.

Management is committed to expanding the wholesale and retail loan production platforms in order to establish direct access to brokers and borrowers, which management anticipates will result in lower premiums paid for mortgages and significantly increased profit margins upon loan sales or securitizations. Management also believes that leveraging off the Conduit Operations' current centralized loan production platform will increase profit margins by reducing incremental production and sales costs while originating higher quality mortgage loans.

Correspondent Loan Production at Impac Funding Corporation was Stable during the Second Quarter of 2000 as compared to the First Quarter of 2000 while Nationwide Loan Originations Declined

Correspondent Loan Production

Total correspondent loan production decreased 2% to $366.8 million during the second quarter of 2000 as compared to $375.5 million during the first quarter of 2000. This decrease compares to a projected decrease of 28% in nationwide mortgage originations on 1-to-4 family properties as forecast by the Mortgage Bankers Association, when comparing the same periods, as mortgage refinance activity has significantly declined. Since IFC has historically generated a more significant volume of purchase money transactions, as opposed to refinance transactions, the decrease in forecasted national originations has not affected IFC as severely as other mortgage loan originators.

Impac Warehouse Lending Group Increases Average Outstanding Finance Receivables to External Customers by 94% and Reaches a Record High for June 2000

Average outstanding finance receivables with IWLG's external customers increased 94% to $129.0 million during the second quarter of 2000 as compared to $66.4 million during the second quarter of 1999. As of June 30, 2000, IWLG had approved warehouse lines available to 55 external customers totaling $373.6 million as compared to 39 customers totaling $264.0 million as of June 30, 1999. For the month of June 2000, IWLG's average outstanding finance receivables was $145.0 million, which was an all-time high since inception of the Warehouse Lending Operations in November of 1995.

Overall, average finance receivables increased 35% to $395.5 million during the second quarter of 2000 as compared to $292.5 million during the second quarter of 1999. The Warehouse Lending Operations continued to provide a consistent contribution to net earnings and earnings per share during the second quarter of 2000. During the second quarter of 2000, IWLG's contribution to earnings and earnings per diluted share was approximately $2.3 million and $0.11, respectively, as compared to approximately $1.6 million and $0.06, respectively, during the second quarter of 1999.

The Company Increases its Allowance for Loan Losses by 196% to $12.9 million to Adequately Provide for Losses within the Remaining HLTV Portfolio

The Company's total allowance for loan losses expressed as a percentage of Gross Loan Receivables, which includes loans held-for-investment, CMO collateral and finance receivables, increased 196% to 0.80% at June 30, 2000 as compared to 0.27% at December 31, 1999. The Company recorded net loan loss provisions of $3.3 million during the second quarter of 2000 as compared to $1.5 million during the second quarter of 1999. Net loan loss provisions during the second quarter of 2000 includes an additional $2.6 million provision for loan losses to increase the Company's allowance for loan losses to adequately provide for losses within what remains of the HLTV portfolio. Management's decision to further increase allowance for loan losses is based upon increased levels of charge-offs and delinquencies that occurred during the second quarter of 2000.

The accounting charges related to HLTV second trust deeds underlying CMO collateral were calculated based upon management's estimate of the inherent losses in the HLTV portfolio. The Company has written these assets down and provided allowances to absorb expected losses. Should the actual performance of these underlying loans exceed current expectations, these recoveries would increase the allowance for loan losses in future periods. The allowance for loan losses is determined primarily on the basis of management's judgment of net loss potential, including specific allowances for known impaired loans, changes in the nature and volume of the portfolio, the value of the collateral and current economic conditions that may affect the borrowers' ability to pay.

Acquisition of California Industrial Thrift and Loan

In July 2000, the Company withdrew its application to acquire a California Thrift and Loan ("Bank"). The decision to withdraw its application was based upon management's assessment that a mutually acceptable approval to operate the Bank was not likely. Management does not believe that the decision to withdraw its application will adversely affect the Company's future operations and profitability. The $10.0 million of capital, which had been set aside to capitalize the Bank upon approval of the application, will be redeployed in the Company's operating businesses and to further grow the Company's balance sheet. The Company may re-evaluate this decision in the future if there is a change in the regulatory environment regarding residential mortgage lending. All capitalized expenses associated with the acquisition of the Bank, which were incurred during the approval process, were written-off during the second quarter of 2000. Total capitalized expenses written-off by IFC during the second quarter of represented an after-tax charge of $781,000 to the Company.

Loan Sales and Securitizations

Total loan sales to third party investors and securitizations increased to $325.7 million during the second quarter of 2000 resulting in a gain on sale of loans of $4.1 million as compared to $276.8 million and $5.4 million, after excluding a $4.1 million reduction of mark-to-market allowances, respectively, during the second quarter of 1999. Loan sales to third party investors and gain on sale of loans during the second quarter of 2000 includes a REMIC securitization of $269.5 million which was sold on a servicing retained basis. However, IFC anticipates selling the related servicing from the REMIC securitization under a flow agreement during the third quarter of 2000. The Company did not retain any interests in the REMIC securitization.

Master Servicing Portfolio

During 2000, IFC has sold and will continue to sell mortgage servicing rights as management believes that cash raised from the sale of mortgage servicing rights can be re-employed in IFC's business operations and generate a higher return on investment than the earnings contribution from loan servicing income. IFC has and would continue to retain master servicing rights, which generally earns an annualized master servicing fee of 0.03%. The master servicing portfolio increased 15% to $3.0 billion at June 30, 2000 as compared to $2.6 billion at June 30, 1999. The weighted average coupon of the master servicing portfolio was 9.57% at June 30, 2000 as compared to a weighted average coupon of 9.33% at June 30, 1999. The loan delinquency rate of mortgages in the master servicing portfolio which were 60 or more days past due, inclusive of foreclosures and delinquent bankruptcies, decreased to 4.15% at June 30, 2000 as compared to 6.18% at June 30, 1999.

Impac Mortgage Holdings, Inc. - Results of Operations
Second Quarter of 2000 As Compared to Second Quarter of 1999

Net Interest Income. Net interest income decreased 35% to $5.3 million during the second quarter of 2000 as compared to $8.2 million during the second quarter of 1999. The decrease in net interest income was primarily the result of higher CMO borrowing costs due to an increase in one-month LIBOR, which is the index used to reprice the Company’s adjustable-rate CMO borrowings, as the Federal Reserve Bank increased short-term interest rates to slow economic growth. During the second quarter of 2000, one-month LIBOR averaged 6.47% as compared to 4.96% during the second quarter of 1999, which caused CMO borrowing costs to rise to 7.21% as compared to 6.22%, respectively. While CMO borrowing costs increased 99 basis points between the second quarters of 2000 and 1999, the yield on CMO collateral increased to 7.13% during the second quarter of 2000 as compared to 6.72% during the second quarter of 1999, an increase of 41 basis points. The 58 basis point decrease in net interest spread on CMO collateral was the result of adjustable-rate CMO borrowings repricing upwards more quickly than adjustable-rate CMO collateral, which are restricted to periodic and lifetime cap limitations.

Non-Interest Income. Non-interest income includes equity in net earnings (loss) of IFC and other non-interest income, primarily including loan servicing fees and fees associated with the Company's Warehouse Lending Operations. Non-interest income was $(1.0) million during the second quarter of 2000 as compared to $2.0 million during the second quarter of 1999. The decrease in non-interest income during the second quarter of 2000 was primarily due to a decrease of $2.9 million in equity in net earnings (loss) of IFC to $(1.5) million as compared to $1.4 million during the second quarter of 1999. The decrease in earnings at IFC was primarily due to the write-off of Non-Impac Securities and Bank related costs. Refer to “Impac Funding Corporation. – Results of Operations” for additional information regarding IFC’s financial results during the second quarter of 2000.

Non-Interest Expense. During the second quarter of 2000, non-interest expense, excluding write-down on investment securities, increased 27% to $1.9 million as compared to $1.5 million during the second quarter of 1999 primarily due to a $321,000 increase in loss on disposition of real estate owned.

Impac Funding Corporation - Results of Operations
Second Quarter of 2000 As Compared to Second Quarter of 1999

Non-Interest Income. During the second quarter of 2000, non-interest income decreased to $5.5 million as compared to $11.2 million during the second quarter of 1999. However, after excluding a $4.1 million reduction of mark-to-market allowances recorded during the second quarter of 1999, non-interest income decreased to $5.5 million during the second quarter of 2000 as compared to $7.1 million during the second quarter of 1999. The decrease in non-interest income is primarily due to a $1.3 million decrease in gain on sale of loans. The decrease in gain on sale of loans was primarily due to a $1.7 million decrease in amortization of deferred gains. Amortization of deferred gains results from the sale of mortgage loans from IFC to IMH, an affiliated transaction. Because of the affiliated nature of the transaction, IFC defers income from loan sales over the estimated life of the mortgage loans. Due to lower mortgage prepayments during the second quarter of 2000 as compared to the second quarter of 1999, amortization of deferred income was lower. Non-interest income also decreased during the second quarter of 2000 due to a $541,000 decrease in loan servicing income. The decrease in loan servicing income was primarily due to a decrease in the size of IFC's servicing portfolio, as IFC sold loans on a servicing released basis and sold mortgage servicing rights during 1999.

Non-Interest Expense. During the second quarter of 2000, non-interest expense decreased to $8.2 million as compared to $9.1 million during the second quarter of 1999. However, after excluding write-down on investment securities, non-interest expense increased to $6.7 million during the second quarter of 2000 as compared to $5.4 million during the second quarter of 1999. The increase in non-interest expense during the second quarter of 2000 was primarily due to the charge-off of costs related to the planned acquisition of the Bank.

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.

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