Impac Mortgage Holdings, Inc. Reports First Quarter Taxable Income of $0.28 Per Share and May Resume the Payment of Common Dividends As Early as the Third Quarter of 2001

April 26, 2001

NEWPORT BEACH, Calif., April 26 /PRNewswire/ -- As a result of higher than anticipated taxable income generated by Impac Mortgage Holdings, Inc. (Amex: IMH), (the "Company" or "IMH"), a real estate investment trust ("REIT"), during the first quarter of 2001, the Company projects that it may completely utilize its tax loss carry forward as early as the third quarter of this year. After utilizing its tax loss carry forward, the Company would be required under REIT rules to distribute at least 90% of its taxable income for the remainder of the year. In addition, after 2001 the Company will no longer be able to reduce taxable income by an estimated $10.9 million per year from the amortization of the termination of the management agreement. Taxable income for the first quarter of 2001 was $7.5 million, or $0.28 per diluted common share, as compared to taxable income of $1.4 million, or $0.05 per diluted common share, for the quarter ended December 31, 2000. The remaining 2001 tax loss carry forward was reduced to $12.6 million after the first quarter as a result of applying first quarter taxable income of $7.5 million.

Joseph R. Tomkinson, Chairman and Chief Executive Officer of the Company, commented, "the Company is ahead of its original timetable of utilizing its tax loss carry forward as a result of the Mortgage Operations' strong loan production and increased profitability on the sale of its mortgage loans, growth in Warehouse Lending Operations' balances and a continuing trend towards lower borrowing costs, which continues to improve the Company's net interest margins."

Core operating earnings were $5.2 million, or $0.20 per diluted common share, for the first quarter of 2001 as compared to core operating earnings of $3.7 million, or $0.14 per diluted common share, for the previous quarter. Core operating earnings during the first quarter of 2001 exclude the cumulative effect of Statement of Financial Accounting Standards No. 133 ("SFAS 133"). See Effect of SFAS 133 below for further discussion.

Mr. Tomkinson, further commented, "I am pleased to report that the Company posted solid core operating earnings which exceeded our projections for the first quarter of 2001. Exemplary financial performance continues to be driven by the Company's core operating businesses, the Mortgage and Warehouse Lending Operations, while decreased borrowing costs have significantly improved net interest margins on the Company's long-term investment portfolio. While the reduction in interest rates has greatly benefited core operating earnings during the first quarter, I believe that strategic initiatives implemented over the past year are beginning to pay off." Impac Funding Corporation ("IFC") is the Mortgage Operations of the Company and includes correspondent business along with wholesale and retail business from Impac Lending Group ("ILG"). Impac Warehouse Lending Group, Inc. ("IWLG") is the Warehouse Lending Operations and advances short-term lines of credit to the Mortgage Operations and non-affiliated mortgage bankers.

Net interest income improved significantly during the first quarter of 2001 in comparison to the fourth quarter of 2000 as it increased 52% to $8.9 million as compared to $5.9 million, respectively. The increase in net interest income was primarily attributable to a decrease in borrowing costs, which decreased to 6.84% during the first quarter of 2001 as compared to 7.71% during the previous quarter. Mr. Tomkinson commented, "borrowing costs on CMO financing continues to trend lower as recent interest rate reductions by the Federal Reserve Bank should continue to improve net interest margins for the remainder of the year. Because a significant portion of CMO collateral includes prepayment penalties, we anticipate that the effect of early prepayments on net interest income due to refinance activity will be partially mitigated." As of March 31, 2001, 30% of the Company's CMO collateral had prepayment penalties with a weighted average life to prepayment penalty expiration of approximately 26 months. In addition, the Company expects to complete a CMO during May 2001 for approximately $300.0 million, of which approximately 60% of the mortgage loans will include prepayment penalties ranging from one to five years.

Loan production by the Company's conduit operations conducted by IFC and the wholesale and retail mortgage platforms operated by ILG remained strong during the first quarter of 2001. Loan acquisitions and originations increased 32% during the first quarter of 2001 to $607.2 million as compared to $458.8 million, including bulk acquisitions of $63.9 million, during the same quarter of last year. Strong loan production during the first quarter was driven by lower interest rates and by mortgage loan applications submitted through IDASL, which increased 29% in average monthly loan volume as compared to the previous quarter. IDASL stands for Impac Direct Access System for Lending and can be viewed at the Company's new and improved website at www.impaccompanies.com. Loan production decreased slightly during the first quarter of 2001 to $607.2 million as compared to $632.0 million the previous quarter due to seasonality of the mortgage business during this period of the year.

As a result of strong loan production by the Mortgage Operations during the first quarter of 2001, IFC was able to execute its 2001 business plan to securitize more frequently, which will require less capital and provide more liquidity with less interest rate and price volatility. IFC securitized a total of $450.1 million of mortgage loans during the first quarter of 2001. Mr. Tomkinson commented, "like the fourth quarter of 2000, IFC successfully completed two REMIC securitizations during this quarter at prices exceeding profit expectations for cash gains, which continue to provide a comfortable level of liquidity."

Customers of Impac Funding Corporation Continue to Increase Utilization of IDASL during the First Quarter of 2001

During the first quarter of 2001, IFC's customers increased average monthly volume of loans submitted through the IDASL system by 29% over fourth quarter of 2000 loan submissions. Loan submissions during the first quarter of 2001 averaged $719.2 million per month in loan volume as compared to $555.5 million per month in loan volume during the fourth quarter of 2000 and $438.0 million per month during the third quarter of 2000. By March 31, 2001, substantially all of IFC's correspondents were submitting loans through IDASL and 100% of all wholesale loans delivered by brokers were directly underwritten through IDASL.

IDASL is not a lead generator for mortgage brokers, but is an interactive internet system that enables our customers to access loan status, current pricing, purchase confirmations and receive consistent and reliable automated loan underwriting decisions within minutes. In addition, IDASL has an integrated credit-reporting interface that provides our customers with a very competitive tool enabling them to render a loan decision at point of sale.

IDASL dramatically increases efficiencies not only for our customers but also for the Mortgage Operations by significantly decreasing the processing time for a mortgage loan, while improving employee production and maintaining superior customer service, which together leads to higher closing ratios, improved profit margins and increased profitability at all levels of its business operations. In the near future, IDASL will include automated mortgage insurance approval, fraud detection and electronic property appraisal that will further streamline the entire mortgage application and approval process. 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, a division of IFC, Increases Wholesale and Retail Loan

Production for the Fourth Consecutive Quarter to a New Record High

ILG's wholesale and retail loan originations increased 29% to $130.3 million during the first quarter of 2001 as compared to $101.3 million during the previous quarter and $19.5 million during the first quarter of 2000. As of March 31, 2001, ILG increased its approved wholesale mortgage brokers by 32% to 1,300 brokers as compared to 983 brokers at December 31, 2000. In conjunction with IDASL, management is committed to expanding the wholesale and retail loan production platforms nationwide in order to establish direct access to brokers and borrowers, which results in lower premiums paid for mortgages and increased profit margins upon loan sales or securitization. As such, ILG is now licensed to conduct business in 43 states and has recently expanded its presence in the Midwest. Mr. Tomkinson commented, "I am extremely pleased at the growth of ILG and our projection of doubling production this year over 2000 results."

Loan originations at ILG should remain strong during 2001 with the successful roll-out of IDASL with the Mortgage Operations' strategic partner Genesis 2000. Genesis 2000 is a leader in mortgage automation software that provides an internet connection to 33,000 users nationwide with direct automated download capabilities through "EPass" to the Mortgage Operations' products via IDASL. Recently, Genesis 2000 was acquired by Ellie Mae, a leading provider of internet solutions to the mortgage industry, which will further enhance ILG's penetration into the wholesale lending arena. Don Currie, Senior Vice President, commented, "loan production has increased significantly due, in large part, to our association and joint training efforts throughout the country with both Genesis 2000 and Ellie Mae which has proven to be extremely successful."

Correspondent Loan Production at Impac Funding Corporation during

the First Quarter of 2001 Remained Strong and Exceeded Projections

Total correspondent loan production increased 27% to $476.9 million during the first quarter of 2001 as compared to $375.5 million during the same quarter of last year. Although total correspondent loan production decreased 4% during the first quarter of 2001 as compared to the previous quarter, correspondent loan production by IFC during the first quarter exceeded the Company's business plan by approximately 10%. With the introduction of IDASL, IFC has experienced a greater willingness by its correspondent customers to originate IFC's loan programs. IDASL has provided consistent underwriting and loan approval decisions by eliminating a great deal of confusion regarding IFC's loan programs. This has resulted in an easier and more efficient origination process for IFC's clients. In addition, IFC approved and issued master commitments to four major accounts during the fourth quarter of 2000 and began delivering loans to IFC during the first quarter. IFC's goal is to continue to add major accounts to its customer base during 2001 and to expand more aggressively into other regional markets.

Profit Margins on the Securitization and Sale of Mortgage Loans by Impac

Funding Corporation Improved during the First Quarter of 2001

Total loan sales increased to $466.4 million during the first quarter of 2001, resulting in a gain on sale of loans of $7.6 million as compared to $415.7 million and $6.6 million, respectively, during the fourth quarter of 2000. Loan sales and gain on sale of loans during the first quarter of 2001 included two REMIC securitizations totaling $450.1 million, which were sold on a servicing released basis. In addition to selling more loans during the first quarter of 2001, profit margins on securitizations improved significantly as compared to securitizations completed during 2000. In the future, IFC anticipates that it will continue to sell related loan servicing rights from securitization of its loans. However, IFC will continue to act as master servicer on all its securitizations. By securitizing loans more frequently, IFC expects that less capital requirements, higher liquidity levels and less interest rate and price volatility as the mortgage loan accumulation period will be reduced.

Impac Warehouse Lending Group Achieves All-Time High Outstanding Finance

Receivable Balances to External Customers as of March 31, 2001

Outstanding finance receivables to external customers increased 68% to an all-time high of $233.2 million as of March 31, 2001 as compared to $138.4 million as of December 31, 2000. Average outstanding finance receivables with IWLG's external customers increased 31% to $143.8 million during the first quarter of 2001 as compared to $109.6 million during the same quarter of last year. At March 31, 2001, IWLG had approved warehouse lines available to 58 external customers totaling $415.0 million as compared to 50 customers totaling $358.0 million as of March 31, 2000.

Overall, average finance receivables increased 45% to $446.8 million during the first quarter of 2001 as compared to $307.2 million during the same quarter of last year. During the first quarter of 2001, the Warehouse Lending Operations focused on internal restructuring and technology initiatives, including the on-going development and implementation of a web-based funding and delivery system, with the overall goal of increasing its customer base and outstanding balances during 2001. The Warehouse Lending Operations continues to provide a consistent contribution to net earnings and earnings per share for the Company. Gretchen Verdugo, Executive Vice President, commented, "the increase in our average balances reflect the successful partnerships we have formed with our clients for growth and profitability. IWLG will continue to benefit from recent automation enhancements and the improved risk profile of our clientele."

Impac Mortgage Holdings, Inc. Increases its Allowance for Loan Losses

24% at March 31, 2001 as compared to December 31, 2000

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 to 0.33% at March 31, 2001 as compared to 0.28% at December 31, 2000. During the first quarter of 2001, the Company added provision for loan losses of $4.0 million as compared to $1.1 million during the fourth quarter of 2000 which increased the allowance for loan losses by 24% to $6.3 million as of March 31, 2001 as compared to $5.1 million as of December 31, 2000. The Company recorded net charge-offs of $2.8 million during the first quarter of 2001 as the Company sold non-performing loans from the "collapse" of previously existing CMO collateral.

Total non-performing loans, including 90 days past due, foreclosures and other real estate owned, increased slightly to $53.9 million, or 3.85% of the unpaid principal balance of the long-term investment portfolio, at March 31, 2001 as compared to $52.2 million, or 4.35% of the unpaid principal balance of the long-term investment portfolio, at March 31, 2000. The loan delinquency rate of mortgages in the long-term investment portfolio which were 60 or more days past due, inclusive of foreclosures and delinquent bankruptcies, decreased to 4.84% at March 31, 2001 as compared to 5.28% at March 31, 2000. The unpaid principal balance of mortgage loans in the long-term investment portfolio at March 31, 2001 was $1.4 billion as compared to $1.2 billion at March 31, 2000.

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.

Other Information

- Diluted book value increased to $6.69 per common share at March 31, 2001 as compared to diluted book value of $6.67 per common share at December 31, 2000.
- At March 31, 2001, the Company had 26,751,106 diluted common shares outstanding as compared to 26,765,888 at December 31, 2000.
- Return on equity and assets, excluding the cumulative effect of FAS 133, for the first quarter was 11.68% and 1.07%, respectively.
- Combined cash and cash equivalents of IMH and IFC increased to $27.8 million as of March 31, 2001 as compared to $26.2 million as of December 31, 2000 while combined assets increased to $2.0 billion as compared to $1.9 billion, respectively.
- The Company's Board of Directors authorized management to call and retire the Company's 11% senior subordinated debentures due February 15, 2004. As of March 31, 2001, the senior subordinated debentures carrying amount was $7.0 million, including discounts of $700,000. The Company expects to call these securities in June of this year at a price of par plus accrued interest.
- During the first quarter, IFC acquired $10.0 million of IMH's Series C 10.5% Cumulative Convertible Preferred Stock ("Preferred Stock") at a price of $10.25 million plus accrued interest. The Preferred Stock is not intended to be retired but was purchased by IFC as an investment that may be sold at a later date.
- IFC's master servicing portfolio increased 10% to $4.4 billion at March 31, 2001 as compared to $4.0 billion at December 31, 2000 and increased 52% as compared to $2.9 billion at March 31, 2000. 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, increased to 4.82% at March 31, 2001 as compared to 4.24% at December 31, 2000 and 4.33% at March 31, 2000..

Effect of SFAS 133

During the first quarter, the Company recognized a cumulative charge to earnings of $5.8 million as a fair market valuation of the Company's hedging instruments outstanding at March 31, 2001 in accordance with the implementation of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." As part of the Company's secondary marketing activities, it purchases interest rate caps as a hedge against adverse changes in interest rates and the corresponding adverse effect on net interest margins. The primary effect of SFAS 133 on the Company's financial position is to change the prior accounting treatment which amortized interest rate cap costs over the life of the caps to recording only the change in the fair market value of interest rate caps as an adjustment to current earnings. During the first quarter, the effect of the fair market valuation gain was $612,000 excluding $1.1 million of amortization of interest rate cap costs that prior to SFAS 133 would have been recorded as interest expense. After implementation of SFAS 133, the market value of interest rates caps was $1.1 million at March 31, 2001. In the future, net interest margins will not reflect the amortization of interest rate cap costs. The Company does not intend to change its interest rate cap hedge policy, as the Company believes that it is the best protection against increases in interest rates. Net earnings in the future will experience some level of volatility from quarter to quarter due to the timing and expense recognition of hedge activity by the Company as a result of implementation of SFAS 133.

Net earnings, which includes the implementation of SFAS 133, was $1.1 million, or $0.02 per basic common share, as compared to a net loss of $(30.9) million, or $(1.48) per basic common share, during the same quarter of last year.

As part of IFC's secondary marketing activities, IFC utilizes options and futures contracts to hedge the value of its mortgage pipeline against adverse changes in interest rates. IFC did not experience any material impact during the quarter related to the adoption of SFAS 133 in its mortgage pipeline hedging activities. IFC does not hedge mortgage servicing rights, however, valuation changes in mortgage servicing rights continue to be recorded against current earnings. Net earnings in the future will experience some level of volatility from quarter to quarter due to the timing and expense recognition of hedge activity by IFC as a result of implementation of SFAS 133.

Additional financial information for the quarter ending March 31, 2001 will be available simultaneously with the publication of this press release by viewing the Company's Monthly Fact Sheet on the Company's web site at www.impaccompanies.com. For additional information, questions or comments call or write to the Company's Investor Relations group and speak with Tania Jernigan at (949) 475-3600 or email Tania at tjernigan@impaccompanies.com. The Company has announced a conference call and live web cast on Friday, April 27, 2001 at 9:00 AM. Pacific Standard Time (12:00 noon. Eastern Standard Time). Mr. Joseph R. Tomkinson, Chairman and CEO of Impac Mortgage Holdings, Inc., will discuss the results of the Company's first quarter results of operations and to provide a general update of the Company followed by a question and answer session. The conference call will be limited for discussion to certain buyside and sellside analysts and will be open for listen only to all interested parties. If you would like to participate you may access the web cast via our web site at http://www.impaccompanies.com/Impac Mortgage Holdings, Inc./Audio Archives or by using the dial in number, (800) 344-0705. To participate in the call, dial in fifteen minutes prior to the scheduled start time. The conference call will be archived on Impac Mortgage Holdings, Inc.'s web site at www.impaccompanies.com, by linking to Impac Mortgage Holdings, Inc./Audio Archives. You can subscribe to receive instant notification of Impac Mortgage Holdings, Inc.'s conference, news and monthly unaudited fact sheet by using our email alert feature located at the Company's web site at www.impaccompanies.com under Impac Mortgage Holdings, Inc./Investor Relations/Email Alerts.

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.

IMPAC MORTGAGE HOLDINGS, INC.
(in thousands, except per share amounts)
(unaudited)

Balance Sheets:	March 31, 2001	December 31, 2000
Cash and cash equivalents	$10,483	$17,944
Investment securities available-for-sale	36,253	36,921
Loan receivables:		
CMO collateral	1,250,728	1,372,996
Finance receivables	455,517	405,438
Mortgage loans held-for-investment	200,188	16,720
Allowance for loan losses	(6,295)	(5,090)
Net Loan Receivables	1,900,138	1,790,064
Investment in Impac Funding Corporation	15,107	15,762
REO properties	6,284	4,669
Due from affiliates	14,500	14,500
Other assets	16,893	18,978
Total Assets	$1,999,658	$1,898,838
CMO borrowings	$1,177,223	$1,291,284
Reverse repurchase agreements	615,367	398,653
Borrowings secured by investment securities available-for-sale	18,976	21,124
11% senior subordinated debt	7,047	6,979
Other liabilities	1,992	2,358
Stockholders' equity	179,053	178,440
Total Liabilities and Stockholders' Equity	$1,999,658	$1,898,838

	For the Three Months Ended,		
Statements of Operations:	March 31,		December 31,
	2001	2000	2000
Interest income	$39,399	$34,140	$40,437
Interest expense	30,506	27,725	34,583
Net interest income	8,893	6,415	5,854
Provision for loan losses	4,038	13,183	1,104
Net interest income (expense) after provision for loan losses	4,855	(6,768)	4,750
Equity in net earnings (loss) of Impac Funding Corporation	1,290	408	(825)
Other non-interest income	835	953	2,138
Total non-interest income	2,125	1,361	1,313
Professional services	619	629	907
General and administrative and other expense	376	303	1,159
Personnel expense	305	146	183
Write-down on investment securities available-for-sale	--	23,979	--
Loss on disposition of			

real estate owned	(639)	428	137
Mark-to-market gain -- FAS 133	(612)	--	--
Total non-interest expense	49	25,485	2,386
Earnings (loss) before cumulative effect of change in accounting principle	6,931	(30,892)	3,677
Cumulative effect of change in accounting principle	(5,789)	--	--
Net earnings (loss) after cumulative effect of change in accounting principle	1,142	(30,892)	3,677
Less: Cash dividends on 10.5% cumulative convertible preferred stock	(788)	(788)	(788)
Net earnings (loss) available to common stockholders	$354	$(31,680)	$2,889
Net earnings (loss) per share before cumulative effect of change in accounting principle:			
Basic	$0.30	$(1.48)	$0.14
Diluted	$0.26	$(1.48)	$0.14
Net earnings (loss) per share after cumulative effect of change in accounting principle:			
Basic	$0.02	$(1.48)	$0.14
Diluted	$0.02	$(1.48)	$0.14
Dividends declared per common share	$--	$0.12	$--
Weighted average shares outstanding:			
Basic	20,385	21,401	20,877
Diluted	26,751	21,401	27,233
Common shares outstanding	20,385	21,401	20,410

IMPAC FUNDING CORPORATION
(in thousands)
(unaudited)

Balance Sheets:	March 31, 2001	December 31, 2000
Cash	$17,360	$8,281
Securities available-for-sale	10,622	266
Mortgage loans held-for-sale	218,010	275,570
Mortgage servicing rights	11,588	10,938
Premises and equipment, net	5,823	5,037
Other assets	9,977	17,071
Total Assets	$273,380	$317,163
Warehouse facilities	$219,462	$266,994
Due to affiliates	14,500	14,500
Deferred revenue	6,220	5,026
Other liabilities	18,109	14,722
Shareholders' equity	15,089	15,921
Total Liabilities and Shareholders' Equity	$273,380	$317,163

	For the Three Months Ended,	
	March 31,	December 31,

	2001	2000	2000
Interest income	$7,492	$4,945	$8,533
Interest expense	7,198	5,660	8,994
Net interest income (expense)	294	(715)	(461)
Gain on sale of loans	7,649	5,221	6,564
Loan servicing income	1,032	1,536	1,428
Other non-interest income	46	23	509
Total non-interest income	8,727	6,780	8,501
Personnel expense	3,185	2,322	2,815
General and administrative and other expense	2,479	1,771	2,912
Amortization of mortgage servicing rights	1,053	1,192	1,428
Mark-to-market gain -- FAS 133	(17)	--	--
Provision for repurchases	6	64	295
Total non-interest expense	6,706	5,349	7,450
Earnings before income taxes and cumulative effect of change in accounting principle	2,315	716	590
Income taxes	1,000	304	1,421
Earnings (loss) before cumulative effect of change in accounting principle	1,315	412	(831)
Cumulative effect of change in accounting principle	17	--	--
Net earnings (loss) after cumulative effect of change in accounting principle	$1,298	$412	$(831)

SOURCE Impac Mortgage Holdings, Inc.

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