



Impac Mortgage Holdings, Inc. Reports a 52% Increase In Earnings Per Share of \$0.47 During the Third Quarter

10/23/02

NEWPORT BEACH, Calif., Oct 23, 2002 /PRNewsire-FirstCall via Comtex/ -- Impac Mortgage Holdings, Inc. (Amex: IMH) ("IMH" or the "Company"), a real estate investment trust ("REIT"), reports third quarter net earnings of \$19.4 million, or \$0.47 per diluted share, as compared to net earnings of \$8.3 million, or \$0.31 per diluted share, for the third quarter of 2001. Net earnings during the first nine months of 2002 were \$52.8 million, or \$1.34 per diluted share, as compared to net earnings of \$18.2 million, or \$0.68 per diluted share, during the same period of 2001. The board of directors previously declared a cash dividend of \$0.45 per share on September 24, 2002, which was paid on October 9, 2002 to stockholders of record on October 2, 2002.

Estimated taxable earnings for the third quarter were \$25.5 million, or \$0.61 per diluted share, as compared to \$18.2 million, or \$0.45 per diluted share, during the second quarter of 2002. Estimated taxable earnings for the first nine months of 2002 were \$59.8 million, or \$1.51 per diluted share, as compared to \$19.6 million, or \$0.73 per diluted share, during the same period of 2001. Refer to the accompanying financial statements for the calculation of estimated taxable earnings and a reconciliation of estimated taxable earnings to net earnings.

Third Quarter Highlights

- Total assets increased 86% since December 31, 2001 to \$5.4 billion from \$2.9 billion
- Declared a regular cash dividend of \$0.45 per share, a 5% increase over the regular dividend of \$0.43 per share declared during the second quarter of 2002
- Completed the sale of 2.5 million common shares which raised cash proceeds of \$27.2 million
- Acquired \$1.1 billion of non-conforming Alt-A mortgage loans for long-term investment from Impac Funding Corporation ("IFC"), the Company's taxable REIT subsidiary and mortgage operations
- Issued \$696.5 million of collateralized mortgage obligations ("CMOs") including the first fixed rate CMO since 1998
- Allowance for loan losses increased to \$21.6 million, or 41 basis points of total loans receivable, as compared to \$11.7 million, or 43 basis points of total loans receivable, as of December 31, 2001
- Constant prepayment rate ("CPR") on the CMO portfolio was 24% CPR as compared to 26% CPR for the second quarter of 2002 and 36% CPR for the third quarter of 2001
- Average finance receivables to non-affiliates increased to \$347.7 million, or 39% over second quarter of 2002
- IFC's total loan acquisitions and originations increased to \$1.7 billion, or 21% over second quarter of 2002 acquisitions and originations of \$1.4 billion

Joseph R. Tomkinson, Chairman and Chief Executive Officer of Impac Mortgage Holdings, Inc., commented, "We believe that the financial strength of our core operating businesses has never been better. Because of the solid financial footing and synergies that we have created within our core operating businesses, we expect to realize our goal of generating consistent and reliable earnings for distribution to our shareholders during changing business climates. In regards to the remainder of 2002, we expect to exceed our original earnings target of \$1.55 to \$1.65 per share and revise our 2002 earnings estimate to \$1.75 to \$1.85 per share and year-end total assets to exceed \$6.0 billion. We also expect to pay a fourth quarter dividend at least equal to the dividend paid for the third quarter which will result in total dividend declarations of at least \$1.73 per share for the year."

Mr. Tomkinson further commented, "A further decrease in mortgage rates during the quarter resulted in another refinancing wave and contributed to record mortgage acquisitions and originations. Although in the near term, we believe that mortgage demand for both fixed and adjustable rate mortgages will remain high, we are mindful that this may not always be the case. Therefore, we believe that we must take advantage of this market opportunity and continue the growth of our balance sheet. By doing this, we believe that we can generate more consistent revenue from our mortgage loan investment portfolio as opposed to revenue generated from gain on sale of loans which are more susceptible to fluctuations in mortgage activity.

"To sustain our strategy of growing the balance sheet, it has become apparent that we need to raise capital more quickly through the block sale of common shares as opposed to raising capital through the sale of common shares via our Sales Agency Agreement. Therefore, we completed the sale of 2.5 million common shares in August at a public offering price of \$11.25, which was accretive to earnings per share as we were able to quickly

deploy cash proceeds into the acquisition of mortgage loans. Some of the cash proceeds from the stock offering were immediately used to acquire fixed rate mortgages, which were subsequently securitized in our first fixed rate CMO since 1998. The fixed rate CMO utilizes matched fixed rate borrowings that provides a locked-in interest spread over the life of the mortgage loans which, we believe, will have a longer life than adjustable rate assets. We expect to continue to access the capital markets through our Sales Agency Agreement or periodically issue shares from our shelf registration as the market, economics and sound business practice dictates."

Mr. Tomkinson continued to say, "In addition to issuing common shares to finance our growth, we added \$650.0 million of new warehouse facilities this year. The new warehouse facilities provide us with a higher aggregate credit limit to fund the acquisition and origination of mortgage loans at terms comparable to those we have received in the past and the flexibility of having financial relationships with a larger cross-section of financial institutions. However, we continue to securitize or sell mortgage loans every 30 to 45 days to limit our exposure to possible margin calls on our warehouse facilities.

"We continue to focus on effectively managing the various operational and economic risks associated with the our business. We believe that we can help to mitigate prepayment risk through the acquisition and origination of mortgage loans with prepayment penalty features. This is evident as the prepayment rate of our CMO portfolio declined to 24% CPR during the third quarter as refinancing activity was at an all-time high. We believe that we mitigate loan losses and a potential increase in foreclosure rates by maintaining an adequate allowance for loan loss, by acquiring mortgage loans with favorable credit profiles and by acquiring mortgage loans with conservative loan-to-value ratios with mortgage insurance enhancements, which reduces our effective loan-to-value ratio. We believe that we mitigate liquidity and margin call risk by frequently securitizing or selling our mortgage loans and we have created greater financing flexibility by adding additional warehouse lines. We further believe that we effectively manage interest rate risk by purchasing interest rate hedging instruments to mitigate future interest rate increases.

"We believe it is extremely important, especially during the current economic environment which has contributed to a decline in the stock market over the last year, to remember that the value of our Company and our affiliates and subsidiaries is not reflected in our historical book value and therefore we believe does not reflect the true market value of our mortgage assets and operating businesses. Our warehouse lending operations continues to grow both in terms of advances outstanding and earnings and the mortgage operations is one of the leading Alt-A mortgage lenders in the country. As the Alt-A market continues to grow and consumers seek alternatives to the traditional mortgage products offered by government sponsored agencies, we expect the mortgage operations to increase its market share within this sector by offering unique mortgage products, superior customer service and implementation of our second generation automated underwriting system, called IDASLg2 which will further enhance our customers and our own underwriting and loan approval capabilities."

As of September 30, 2002, book value per outstanding common share was \$6.40 as compared to \$6.44 per outstanding common share as of June 30, 2002. Book value decreased during the third quarter primarily due to a \$14.9 million increase in other comprehensive loss, which offset the incremental increase in book value from the issuance of new shares. The increase in other comprehensive loss was the result of fair market adjustments on derivative instruments, in accordance with Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." The Company is required to mark-to-market its derivative instruments through other comprehensive income but is not allowed to mark-to-market its long-term mortgage loan investment portfolio. Excluding the effect of SFAS 133, pro forma book value per outstanding common share as of September 30, 2002 increased to \$7.58 as compared to \$7.34 per outstanding common share as of June 30, 2002.

Mortgage Loan Investment Portfolio Increased 26%

Long-Term Investment Operations Acquired \$1.1 Billion of Adjustable
and Fixed Rate Non-Conforming Alt-A Mortgages
from the Mortgage Operations During the Third Quarter

The mortgage loan investment portfolio increased 26% to \$4.3 billion at quarter-end as compared to \$3.4 billion as of June 30, 2002 as the long-term investment operations acquired \$1.1 billion of primarily adjustable and fixed rate non-conforming Alt-A mortgages from the mortgage operations. Total acquisitions during the third quarter had a weighted average credit score of 686 and a weighted average coupon of 6.66%. Of total non-conforming Alt-A acquisitions during the third quarter, 82% were adjustable rate, 57% were six-month LIBOR indexed ARMs, 62% were purchase money and 84% had prepayment penalty features. The Company generally considers prime mortgage loans, or "A" credit quality loans, to have a credit score of 640 or better. As a comparison, Fannie Mae and Freddie Mac generally purchase loans with credit scores greater than 620.

CMOs issued during the third quarter consisted of one fixed rate CMO for \$199.0 million with a weighted average fixed borrowing cost of 4.98% and one variable rate CMO for \$497.5 million with a weighted average adjustable borrowing cost of one-month London Interbank Offered Rate ("LIBOR") plus 49 basis points. The weighted average mortgage rate of fixed rate mortgages securing the fixed rate CMO was 8.15% while the weighted average mortgage rate of adjustable rate mortgages securing the adjustable rate CMO was 6.46%.

At quarter-end 48% of mortgage loans in the long-term investment portfolio were six-month LIBOR indexed ARMs, 42% were six-month LIBOR indexed hybrids with an average interest rate adjustment period of approximately 14 months and 71% had active prepayment penalties with an average remaining prepayment expiration period of approximately 22 months. Mortgage loans in the long-term investment portfolio have an original weighted average credit score of 680 and a weighted average coupon of 6.84% as of quarter-end.

At quarter-end total non-performing assets were \$105.6 million, or 1.96% of total assets, as compared to \$69.3 million, or 2.43% of total assets, as of December 31, 2001. Mortgage loans that were 60 or more days delinquent, including foreclosures and delinquent bankruptcies, were 2.92% of the long-term mortgage investment portfolio at quarter-end as compared to 3.84% as of December 31, 2001.

Allowance for loan losses increased 85% to \$21.6 million at quarter-end as compared to \$11.7 million as of December 31, 2001. Allowance for loan losses expressed as a percentage of loans receivable, which includes CMO collateral, mortgage loans held-for-investment and finance receivables, was 0.41% at quarter-end as compared to 0.43% as of December 31, 2001. During the third quarter provision for loan losses was \$5.4 million while actual loan charge-offs, net of recoveries, were \$731,000 as compared to \$4.2 million and \$2.1 million, respectively, during the prior quarter.

The Company makes a monthly provision for estimated loan losses on its long-term investment portfolio as an increase to allowance for loan losses. The provision for estimated loan losses is primarily based on a migration analysis based on historical loss statistics, including cumulative loss percentages and loss severity, of similar loans in the Company's long-term investment portfolio. The loss percentage is used to determine the estimated inherent losses in the investment portfolio. Provision for loan losses is also based on 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.

Average Warehouse Lending Activity with Non-Affiliates Increased 39%

Gretchen Verdugo, Executive Vice President of Impac Warehouse Lending Group, Inc., commented, "Our proprietary iWIN ("Impac Warehouse Intelligence Network") technology has allowed us to increase our quarterly average outstanding balance to non-affiliates by 39% during the third quarter to nearly \$350.0 million. Our success is the result of our efficient use of technology, experienced and customer service driven warehouse lending professionals and leveraging relationships with the mortgage operations' customers while maintaining an excellent credit risk profile."

Average outstanding finance receivables to non-affiliates increased 39% to \$347.7 million during the third quarter as compared to \$249.4 million during the prior quarter. At quarter-end the warehouse lending operations had 60 approved warehouse lines available to non-affiliated customers totaling \$564.0 million as compared to 57 and \$447.0 million as of December 31, 2001, respectively.

During the third quarter the warehouse lending operations contributed net earnings of \$5.6 million, or \$0.13 per diluted common share as compared to \$3.8 million, or \$0.10 per diluted common share, during the prior quarter. Net earnings for the third quarter represented a 56% return on average equity as compared to a 33% return on average equity during the prior quarter.

Loan Acquisitions and Originations Increased 21%

Total Loan Acquisitions and Originations Increased to \$1.7 Billion During the Third Quarter

Regarding the results of the mortgage operations, William S. Ashmore, President and Chief Operating Officer, remarked, "A decline in mortgage rates during the third quarter contributed to record acquisitions and originations by the mortgage operations. Acquisitions and originations increased 21% over the prior quarter and rose 95% year-to-date over the same period last year. We continue to acquire and originate mortgage loans that fit within our criteria which are primarily non-conforming Alt-A mortgages with good credit profiles with insurance enhancements, when required, and prepayment penalty features. We believe this mortgage profile provides favorable execution upon the sale or securitization of our mortgage loans. We are also extremely pleased with the success of our interest-only mortgage products as acquisitions and originations during the third quarter were approximately \$244.0 million as compared to approximately \$36.0 million during the prior quarter when our interest-only programs were first introduced.

"We continue to rely primarily on purchase money transactions for the bulk of our mortgage business. Because of this and combined with expanding our reach in the non-conforming Alt-A mortgage market, providing our customers with integrated financial services and taking advantage of our increasing financial leverage, we believe that we can at least maintain our current production levels if nationwide mortgage refinance activity declines. Because we realize that current housing demand and mortgage refinance activity may not be sustained over the long-term and may eventually slow down, we believe it is important to acquire and originate mortgages that can be retained by the long-term investment operations which will maximize IMH's earnings and thereby increase long-term shareholder value. Therefore, during the third quarter the mortgage operations sold \$200.0 million of fixed rate loans to the long-term investment operations, which were subsequently securitized as a CMO.

"As a result of selling \$200.0 million of fixed rate loans to the long-term investment operations, the mortgage operations' earnings decreased from the prior quarter as long-term earnings were exchanged for one time gain on sale of loans. In the future, we expect to sell as much as 50% of our fixed rate mortgage acquisitions and originations to non-affiliated investors and 50% to the long-term investment operations."

Third Quarter Results of Operations

Impac Mortgage Holdings, Inc. Net earnings increased over second quarter of 2002 results primarily as net interest income rose. Net interest income increased to \$23.1 million during the third quarter as total average mortgage assets increased to \$4.6 billion as compared to net interest income of \$17.6 million and total average mortgage assets of \$3.8 billion during the prior quarter. Average mortgage assets increased during the third quarter as \$1.1 billion of mortgage loans were acquired for long-term investment. Net interest margins on mortgage assets were 1.92% for the third quarter as compared to net interest margins of 1.85% for the prior quarter. Net interest margins rose during the third quarter as CMO borrowings, which are tied to short-term interest rates, declined. Provision for loan losses during the third quarter were \$5.4 million as compared to \$4.2 million during the prior quarter as loan acquisitions and advances on warehouse lines, or finance receivables, increased. Non-interest income decreased as equity in net earnings of IFC declined to \$2.8 million during the third quarter as compared to \$5.5 million during the prior quarter. The decrease in net earnings of IFC was primarily due to a decrease of revenue from gain on sale of loans and a before tax increase of \$929,000 in provision for loan repurchases. Non-interest expense increased 15% to \$2.3 million during the third quarter as compared to \$2.0 million during the prior quarter.

Impac Funding Corporation. Net earnings decreased over second quarter of 2002 results primarily as gain on sale of loans declined. Gain on sale of loans declined to \$13.7 million on loan sales of \$1.46 billion during the third quarter as compared to gain on sale of loans of \$19.6 million on loan sales of \$1.53 billion during the prior quarter. Gain on loan sales were lower during the third quarter as \$200.0 million of fixed rate loans, which in the past

have typically been sold to non-affiliated investors as REMICs or whole loan sales, were acquired and retained by the long-term investment operations. Excluding a third quarter mark-to-market gain on derivative instruments of \$2.9 million, total non-interest expense increased to \$13.5 million during the third quarter as compared to \$12.0 million during the prior quarter. The increase in total non-interest expense during the third quarter was primarily due to a \$929,000 increase in provision for loan repurchases and an increase in staff costs to meet greater loan acquisition and origination volumes.

For additional information, questions or comments call or write to the Company's investor relations group and ask for Tania Jernigan at (949) 475-3600 or e-mail Ms. Jernigan at tjernigan@impaccompanies.com . The Company has announced a conference call and live web cast on Thursday, October 24, 2002 at 9:30 a.m. Pacific Time (12:30 p.m. Eastern Time). Mr. Joseph R. Tomkinson will discuss the results of the Company's third quarter operations and provide a general update on the Company followed by a question and answer session. The conference call will be limited for discussion to certain buy-side and sell-side analysts and will be open for listen only to all interested parties.

If you would like to participate, you may listen by dialing (800) 350-9149, conference ID number 6256378, or accessing the web cast via our web site at http://www.impaccompanies.com/IMH/IMH_main.asp . 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. conference calls, news and the monthly unaudited fact sheet, which will be available on Wednesday, October 30, 2002, by using our e-mail alert feature located at the Company's web site at www.impaccompanies.com under Impac Mortgage Holdings, Inc./Investor Relations/Email Alerts.

Note: Safe Harbor "Statement under the Private Securities Litigation Reform Act of 1995." This release contains forward-looking statements including statements relating to the expected performance of the Company's businesses and dividend and earnings expectations. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, among other things, failure to achieve projected earning levels, the timely and successful implementation of strategic initiatives, the ability to generate sufficient liquidity, including completing securitizations and earning interest on our mortgage loans, different interest rate fluctuations on our assets and liabilities, changes in the difference between short-term and long-term interest rates, increase in prepayment rates on our mortgage assets, changes in assumptions regarding estimated loan losses, the availability of financing and, if available, the terms of any financing, changes in origination and resale pricing of mortgage loans, growth in markets which the Company serves, changes in general market and economic conditions and other facts described in this press release and under "Risk Factors" in our Quarterly Report on Form 10Q and Form 10Q-A for the quarter ended June 30, 2002. Caution must be exercised in relying on these and other forward-looking statements. Due to known and unknown risks and other factors not presently identified, the Company's results may differ materially from its expectations and projections. We will update and revise our estimates based on actual conditions experienced, however, it is not practicable to publish all revisions and as a result, no one should assume that results projected in or contemplated by the forward-looking statements included above may continue to be accurate in the future.

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

Balance Sheets:

	September 30, 2002	June 30, 2002	December 31, 2001
Cash and cash equivalents	\$110,060	\$41,560	\$51,887
Investment securities available-for-sale	27,494	28,138	32,989
Loans receivable:			
CMO collateral	4,006,065	3,438,057	2,229,168
Finance receivables	916,439	569,311	466,649
Mortgage loans held-for-investment	274,138	10,678	20,078
Allowance for loan losses	(21,564)	(16,934)	(11,692)
Net Loans Receivable	5,175,078	4,001,112	2,704,203
Investment in Impac Funding Corporation	19,226	21,909	19,126
Due from affiliates	14,500	14,500	14,500
REO properties	11,181	9,471	8,137
Accounts receivable	1,984	134,593	3,946
Other assets	36,734	30,631	19,946
Total Assets	\$5,396,257	\$4,281,914	\$2,854,734
CMO borrowings	\$3,918,500	\$3,474,019	\$2,151,400
Reverse repurchase agreements	1,167,680	516,065	469,491
Borrowings secured by investment securities	8,391	9,756	12,997
Other liabilities	27,158	24,764	17,481
Stockholders' equity	274,528	257,310	203,365

Total Liabilities and Stockholders' Equity	\$5,396,257	\$4,281,914	\$2,854,734
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Statements of Operations:

	For the Three Months Ended, September 30,		For the Nine Months Ended, September 30,	
	2002	2001	2002	2001
Interest income	\$61,699	\$38,968	\$153,996	\$116,032
Interest expense	38,590	27,581	97,687	85,202
Net interest income	23,109	11,387	56,309	30,830
Provision for loan losses	5,361	2,615	13,302	10,559
Net interest income after provision for loan losses	17,748	8,772	43,007	20,271
Equity in net earnings of Impac Funding Corporation	2,755	3,039	12,816	7,857
Other non-interest income	1,222	1,322	3,219	3,419
Total non-interest income	3,977	4,361	16,035	11,276
Professional services	708	646	2,649	1,728
Personnel expense	534	290	1,326	866
General and administrative and other expense	533	415	1,099	1,339
Gain on disposition of real estate owned	514	(619)	120	(1,584)
Write-down on investment securities available-for-sale	2	1,841	1,040	1,949
Mark-to-market loss - SFAS 133	--	2,269	--	3,713
Total non-interest expense	2,291	4,842	6,234	8,011
Earnings before extraordinary item and cumulative effect of change in accounting principle	19,434	8,291	52,808	23,536
Extraordinary item	--	--	--	(1,006)
Cumulative effect of change in accounting principle	--	--	--	(4,313)
Net earnings	19,434	8,291	52,808	18,217
Less: Cash dividends on 10.5% cumulative convertible preferred stock	--	--	--	(1,575)
Net earnings available to common stockholders	\$19,434	\$8,291	\$52,808	\$16,642
Earnings per share before taxes and cumulative effect of change in accounting principle:				
Basic	\$0.47	\$0.37	\$1.36	\$0.97
Diluted	\$0.47	\$0.31	\$1.34	\$0.87
Net earnings per share:				
Basic	\$0.47	\$0.37	\$1.36	\$0.74
Diluted	\$0.47	\$0.31	\$1.34	\$0.68
Dividends declared per				

common share	\$0.45	\$0.25	\$1.28	\$0.25
Weighted average shares outstanding:				
Basic	41,010	22,687	38,850	22,573
Diluted	41,776	27,184	39,512	26,967
Common shares outstanding	42,908	26,832	42,908	26,832

IMPAC MORTGAGE HOLDINGS, INC.
(in thousands, except per share amounts)
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Reconciliation of Core Operating Earnings to Net Earnings

	For the Three Months Ended, September 30,		For the Nine Months Ended, September 30,	
	2002	2001	2002	2001
Net earnings	\$19,434	\$8,291	\$52,808	\$18,217
Adjustments to net earnings:				
Mark-to-market loss - SFAS 133	--	2,269	--	3,713
Write-down on investment securities available-for-sale	2	1,841	1,040	1,949
Extraordinary item	--	--	--	1,006
Cumulative effect of change in accounting principle	--	--	--	4,313
Amortization of costs associated with the acquisition of hedging instruments not included in interest expense due to the implementation of FAS 133	--	(1,096)	--	(3,366)
Core operating earnings	\$19,436	\$11,305	\$53,848	\$25,832
Core operating earnings per diluted share	\$0.47	\$0.42	\$1.36	\$0.96

Reconciliation of Estimated Taxable Earnings to Net Earnings (1)

	For the Three Months Ended, September 30,		For the Nine Months Ended, September 30,	
	2002 (2)	2001 (3)	2002 (2)	2001 (3)
Net earnings	\$19,434	\$8,291	\$52,808	\$18,217
Adjustments to net earnings:				
Loan loss provision	5,361	2,615	13,302	10,559
Dividends from IFC	4,208	2,000	9,901	6,419
Tax deduction for actual loan losses	(731)	(2,491)	(3,430)	(7,707)
Equity in net earnings of IFC	(2,755)	(3,039)	(12,816)	(7,857)
Estimated taxable earnings	\$25,517	\$7,376	\$59,765	\$19,631
Estimated taxable earnings per diluted share	\$0.61	\$0.27	\$1.51	\$0.73

- (1) Estimated taxable earnings include estimates of book to tax adjustments and can differ from actual taxable earnings as calculated when the Company files its annual tax return.
- (2) Excludes the deduction for dividends paid and the availability of a deduction attributable to a net operating loss carryforward.
- (3) In addition to footnote (2), excludes quarterly tax deductions of

approximately \$2.7 million for amortization of the termination of its management agreement.

Other Financial Data

	For the Three Months Ended, September 30, 2002		For the Three Months Ended, June 30, 2002	For the Three Months Ended, December 31, 2001
Diluted book value per share	\$6.40	\$6.58	\$6.44	\$6.35
Diluted book value per share excluding SFAS 133 (1)	7.58	7.47	7.34	7.23
Return on average assets	1.64%	1.45%	1.88%	2.24%
Return on average equity	29.27%	17.16%	27.00%	28.84%
Return on average assets (2)	1.64%	1.98%	1.88%	1.40%
Return on average equity (2)	29.27%	23.40%	27.00%	18.08%
Assets to equity ratio	19.66:1	13.57:1	16.64:1	14.04:1
Debt to equity ratio	18.53:1	12.52:1	15.54:1	12.95:1
Allowance for loan losses to total loans receivable	0.41%	0.35%	0.42%	0.43%
Prepay penalties as a % of mortgages securing CMOs	61%	44%	65%	54%
CPR on mortgages securing CMOs	24%	36%	26%	28%
Total non-performing assets (3)	\$105,610	\$60,435	\$88,094	\$69,273
Total non-performing assets to total assets	1.96%	2.52%	2.06%	2.43%
Total mortgages owned 60+ days delinquent (4)	\$120,078	\$72,343	\$102,607	\$82,700
60+ day delinquency rate of mortgages owned	2.92%	4.15%	3.10%	3.84%
Master servicing portfolio	\$7,917,232	\$5,118,580	\$6,939,897	\$5,568,740
60+ day delinquency rate of mortgages in the master servicing portfolio (4)	4.45%	5.41%	4.70%	5.38%

(1) Pro forma book value excludes unrealized mark-to-market loss on derivative instruments that are reflected on the financial statements as a reduction to stockholder's equity.

(2) Based on core operating earnings.

(3) Non-performing assets include mortgages owned that are 90+ days delinquent, including foreclosures and bankruptcies, plus other real estate owned.

(4) Includes foreclosures and delinquent bankruptcies.

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

Yield Analysis of Mortgage Assets and Borrowings on Mortgage Assets

For the Three Months Ended, For the Three Months Ended,

	September 30, 2002		September 30, 2001	
	Avg Bal	Yield	Avg Bal	Yield
Investment securities				
available-for-sale	\$28,442	5.09%	\$33,491	8.11%
CMO collateral	3,725,003	5.19%	1,515,450	7.18%
Mortgage loans				
held-for-investment	131,267	5.07%	195,891	5.16%
Finance receivables	725,613	5.19%	459,304	6.90%
Total Mortgage Assets	\$4,610,325	5.18%	\$2,204,136	6.96%
CMO borrowings	3,635,351	3.42%	1,435,864	5.36%
Reverse repurchase agreements	816,923	2.98%	633,248	4.86%
Borrowings secured by investment securities	9,255	18.63%	16,183	15.32%
Total Borrowings on Mortgage Assets	\$4,461,529	3.37%	\$2,085,295	5.29%
Net Interest Spread on Mortgage Assets		1.81%		1.67%
Net Interest Margin on Mortgage Assets		1.92%		1.96%

	For the Nine Months Ended,		For the Nine Months Ended,	
	September 30, 2002		September 30, 2001	
	Avg Bal	Yield	Avg Bal	Yield
Investment securities				
available-for-sale	\$29,806	6.48%	\$34,181	11.69%
CMO collateral	2,981,957	5.39%	1,387,641	7.45%
Mortgage loans				
held-for-investment	81,195	4.70%	154,678	6.13%
Finance receivables	677,253	5.05%	453,565	7.79%
Total Mortgage Assets	\$3,770,211	5.32%	\$2,030,065	7.50%
CMO borrowings	2,894,017	3.64%	1,309,069	5.81%
Reverse repurchase agreements	706,696	2.97%	578,021	5.88%
Borrowings secured by investment securities	10,760	18.03%	18,219	14.33%
Total Borrowings on Mortgage Assets	\$3,611,473	3.55%	\$1,905,309	5.91%
Net Interest Spread on Mortgage Assets		1.77%		1.59%
Net Interest Margin on Mortgage Assets		1.92%		1.95%

Acquisition Summary (1)

	For the Three Months Ended,				For the Nine Months Ended,			
	September 30,				September 30,			
	2002		2001		2002		2001	
	Volume	%	Volume	%	Volume	%	Volume	%
Acquisitions								
by Type:								
Adjustable rate	\$892,092	82	\$353,290	98	\$2,479,017	93	\$894,506	99
Fixed rate	200,004	18	7,608	2	200,871	7	13,287	1
Total loan acquisitions	\$1,092,096		\$360,898		\$2,679,888		\$907,793	

Acquisitions
by Product:

Six-month								
LIBOR indexed								
ARMs	\$619,225	57	\$92,925	26	\$1,727,198	65	\$116,975	13
Six-month								
LIBOR indexed								
hybrids (2)	272,867	25	260,365	72	751,819	28	777,531	86
Fixed rate								
first trust								
deeds	200,004	18	--		200,560	7	--	
Fixed rate								
second trust								
deeds	--	0	7,608	2	311	0	13,287	1
Total loan								
acquisitions	\$1,092,096		\$360,898		\$2,679,888		\$907,793	
Acquisitions								
by Credit								
Quality:								
Alt-A loans	\$1,086,719	100	\$358,492	99	\$2,667,877	100	\$901,229	99
B/C loans	5,377	0	2,406	1	12,011	0	6,564	1
Total loan								
acquisitions	\$1,092,096		\$360,898		\$2,679,888		\$907,793	
Acquisitions								
by Purpose:								
Purchase	\$681,739	62	\$253,224	70	\$1,652,564	62	\$614,116	68
Refinance	410,357	38	107,674	30	1,027,324	38	293,677	32
Total loan								
acquisitions	\$1,092,096		\$360,898		\$2,679,888		\$907,793	
Acquisitions								
by prepayment								
penalty:								
With								
prepayment								
penalty	\$913,959	84	\$194,697	54	\$2,050,608	77	\$533,987	59
Without								
prepayment								
penalty	178,137	16	166,201	46	629,280	23	373,806	41
Total loan								
acquisitions	\$1,092,096		\$360,898		\$2,679,888		\$907,793	

- (1) Excludes premiums paid for acquiring mortgage loans.
(2) Mortgage loans are fixed rate for initial two to five year periods and subsequently adjust to indicated index plus a margin.

IMPAC FUNDING CORPORATION
(in thousands)
(unaudited)

Balance Sheets:

	September 30,	June 30,	December 31,
	2002	2002	2001
Cash	\$19,251	\$27,671	\$28,612
Securities available-for-sale	186	94	3,394
Mortgage loans held-for-sale	456,640	241,057	174,172
Mortgage servicing rights	10,023	7,820	8,468
Premises and equipment, net	5,303	4,927	5,333
Other assets	41,232	30,302	19,823
Total Assets	\$532,635	\$311,871	\$239,802
Warehouse facilities	\$454,083	\$238,425	\$174,136

Due to affiliates	14,500	14,500	14,500
Deferred revenue	6,147	3,779	4,479
Other liabilities	38,485	33,037	27,367
Shareholders' equity	19,420	22,130	19,320
Total Liabilities and Shareholders' Equity	\$532,635	\$311,871	\$239,802

Statements of Operations:

	For the Three Months Ended, September 30,		For the Nine Months Ended, September 30,	
	2002	2001	2002	2001
Interest income	\$8,072	\$5,569	\$22,644	\$18,314
Interest expense	5,991	4,629	16,882	16,601
Net interest income	2,081	940	5,762	1,713
Gain on sale of loans	13,656	12,423	49,387	32,947
Loan servicing income (expense)	(473)	507	(1,221)	2,308
Other non-interest income	9	210	2,089	319
Total non-interest income	13,192	13,140	50,255	35,574
Personnel expense	6,575	4,138	18,418	10,776
General and administrative and other expense	4,549	2,844	13,006	8,500
Provision for repurchases and loan losses	1,324	501	2,154	515
Amortization and impairment of mortgage servicing rights	1,037	1,313	3,529	3,757
Mark-to-market gain - SFAS 133	(2,937)	(62)	(3,393)	(45)
Total non-interest expense	10,548	8,734	33,714	23,503
Earnings before income taxes and cumulative effect of change in accounting principle	4,725	5,346	22,303	13,784
Income taxes	1,942	2,257	9,357	5,865
Earnings before cumulative effect of change in accounting principle	2,783	3,089	12,946	7,919
Cumulative effect of change in accounting principle	--	--	--	17
Net earnings	2,783	3,089	12,946	7,936
Less: Cash dividends on preferred stock	(4,208)	(2,000)	(9,901)	(6,419)
Net earnings (loss) available to common stockholders	\$(1,425)	\$1,089	\$3,045	\$1,517

IMPAC FUNDING CORPORATION
(in thousands)
(unaudited)

Production Summary (1)

	For the Three Months Ended, September 30,		For the Nine Months Ended, September 30,			
	2002	2001	2002	2001		
Production	Volume	%	Volume	%	Volume	%

by Type:								
Fixed rate								
first trust								
deeds	\$552,751	33	\$335,257	41	\$1,319,446	31	\$1,169,007	54
Fixed rate								
second trust								
deeds	24,032	1	10,083	1	61,719	1	29,879	1
Adjustable rate:								
Six month								
LIBOR ARMs	724,101		133,557		1,875,105		158,880	
Six month								
LIBOR								
hybrids	379,102		336,618		995,520		819,786	
Total								
adjustable								
rate	1,103,203	66	470,175	58	2,870,625	68	978,666	45
Total loan								
production	\$1,679,986		\$815,515		\$4,251,790		\$2,177,552	
Production								
by Channel:								
Correspondent								
acqui-								
sitions	\$1,258,485	75	\$606,905	74	\$3,172,698	75	\$1,667,374	77
Wholesale								
and retail								
originations	295,518	18	188,629	23	787,317	18	490,197	22
Novelle								
Financial								
Services,								
Inc.	125,983	7	19,981	3	291,775	7	19,981	1
Total loan								
production	\$1,679,986		\$815,515		\$4,251,790		\$2,177,552	
Production								
by Credit								
Quality:								
Alt-A								
loans	\$1,545,239	92	\$791,037	97	\$3,940,267	93	\$2,143,632	98
B/C loans	134,747	8	24,478	3	311,523	7	33,920	2
Total loan								
production	\$1,679,986		\$815,515		\$4,251,790		\$2,177,552	
Production								
by Purpose:								
Purchase	\$985,755	59	\$531,935	65	\$2,473,125	58	\$1,373,171	63
Refinance	694,231	41	283,580	35	1,778,665	42	804,381	37
Total loan								
production	\$1,679,986		\$815,515		\$4,251,790		\$2,177,552	
Production								
by Prepayment								
Penalty:								
With								
prepayment								
penalty	\$1,372,735	82	\$515,814	63	\$3,291,851	77	\$1,407,519	65
Without								
prepayment								
penalty	307,251	18	299,701	37	959,939	23	770,033	35
Total loan								
production	\$1,679,986		\$815,515		\$4,251,790		\$2,177,552	

(1) Excludes premiums paid for acquiring and originating mortgage loan

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