Impac Mortgage Holdings, Inc. Announces Earnings of $22.3 million for 1999 as Compared to a Loss of $(5.9) million for 1998

January 31, 2000

IMPAC MORTGAGE HOLDINGS, INC.

(AMEX: IMH)

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Automated Loan Approval System ("IDASL") Launched During First Quarter of 2000

Originations of $522 Million at Impac Funding Corporation During Fourth Quarter of 1999

Monday, January 31, 2000

Newport Beach, Ca. – Impac Mortgage Holdings, Inc. (the "Company" or "IMH": AMEX-IMH), a real estate investment trust ("REIT"), announces net earnings for the year ended December 31, 1999 of $22.3 million, or $0.76 per diluted common share, as compared to a net loss of $5.9 million, or $(0.25) per diluted common share, for 1998. The loss for 1998 and for the fourth quarter of 1998 was primarily due to a global liquidity crisis in the mortgage-backed securitization market, which occurred during the latter half of 1998. Net earnings of $3.9 million, or $0.14 per diluted common share, for the fourth quarter of 1999 compares to a net loss of $8.1 million, or $(0.33) per diluted common share, for the fourth quarter of 1998. Mr. Joseph Tomkinson, Chairman and CEO of Impac Mortgage Holdings, Inc. commented, "I am very pleased with the progress that the Company made towards restoring profitability during 1999 in comparison to the prior year which was one of the worst on record for the mortgage industry." Mr. Tomkinson said, "The Company's business prospects for the year 2000 are very exciting as the Company will be introducing its automated loan approval system and expanding its wholesale and retail lending operations – Impac Lending Group."

Net earnings of $3.9 million, or $0.14 per diluted common share, for the fourth quarter of 1999 compares to net earnings of $6.2 million, or $0.22 per diluted common share, for the third quarter of 1999. The decrease in net earnings was primarily attributable to a significant decrease in loan sales, which resulted in a decrease in gain on sale of loans, and secondarily, an increase in borrowing costs due to a jump in short-term interest rates during November and December of 1999 due to Y2K concerns. During the fourth quarter of 1999, the Company deliberately retained approximately $350.0 million of adjustable-rate mortgages to be held for long-term investment. Mr. Tomkinson commented, "The Company continued to execute its business plan of reduced leverage and strong liquidity levels during the fourth quarter of 1999 while increasing total assets, loan production and book value per common share. Although, earnings for the fourth quarter of 1999 were lower than earnings for the prior quarter, it is essential that the Company establishes a balance of profitability from the sale of mortgage assets, on the one hand, and the protection of long-term stockholder value through the retention of high-quality assets, on the other."

Total loan production at Impac Funding Corporation ("IFC") increased 19% to $522.0 million during the fourth quarter of 1999 as compared to $440.0 million during the third quarter of 1999. This marked the third consecutive quarter of increased loan production. In addition, flow production during the fourth quarter of 1999 of $485.3 million was the second highest level for any quarter during the years ended December 31, 1999 and 1998. Mr. Tomkinson stated, "While we are pleased with the increase in loan production during the fourth quarter of 1999, we expect a slowdown in acquisitions during the first quarter of 2000 due to historical decreases in mortgage originations during the winter months. However, we expect that overall loan production for the year will be above 1999 levels."

Impac Direct Access System for Lending ("IDASL")

During the first quarter of 2000, the Company launched its internet-based interactive and automated loan approval system called Impac Direct Access System for Lending ("IDASL"). IDASL is a risk-based pricing model as well as an automated underwriting system. With the expected roll out in the first quarter of 2000, IDASL will provide substantial benefits to the Company's business-to-business customers in 2000. IDASL will provide customers with the benefits of direct upload from in-house origination systems, pre-qualification, full underwriting approval, risk-based pricing and automated exception underwriting. The benefits provided to customers will directly pass-through to the Company in the form of consistent and reliable underwriting decision-making, automated loan pricing, higher loan pull-through rates and reduced operating costs. Future releases of IDASL will include fraud detection measures and automated appraisals, which will continue to decrease operating costs and increase the quality of the Company's loan products.

During 1999, over 70% of the Company's customers used the internet to transact business with the Company, including customers of Impac Warehouse Lending Group, Inc. ("IWLG"), the Warehouse Lending Operations. Mr. Tomkinson commented, "We expect our business-to-business and retail operations to strengthen through our proprietary internet-based automated underwriting system – IDASL. IDASL is a further step in providing customers with access to low cost, efficient and reliable alternatives through today's technology-driven e-commerce marketplace." Both IFC and ILG will be an exhibitor at five industry conferences throughout 2000 with plans to demonstrate IDASL.

Restructured Balance Sheet

During 1999, the Company restructured its balance sheet in order to increase book value per common share, generate additional liquidity and improve overall credit quality of its investment portfolio. The following transactions were completed during 1999: (1) the exchange of 1.4 million shares of Common Stock for 11.0% senior subordinated debt due 2/15/2004, (2) a successful stock repurchase program that repurchased 2.0 million shares of outstanding Common Stock, (3) the re-securitization of a portion of its investment securities portfolio and (4) the acquisition from IFC of $349.8 million, in unpaid principal balance, of adjustable-rate mortgages to be held for long-term investment during the fourth quarter of 1999. During January 2000, the Company completed the issuance of a $460.0 million Collateralized Mortgage Obligation ("CMO") that was primarily collateralized by these adjustable-rate mortgages.

The exchange of Common Stock for 11.0% senior subordinated debt and the repurchase of outstanding Common Stock during 1999 was accretive to book value by $0.65, or 7%. Book value at December 31, 1999 was $9.76 (calculated assuming liquidation value of the Company's Series B Cumulative Convertible Preferred Stock) as compared to $9.11 on a pro-forma basis. Overall, book value increased 8% to $9.76 at December 31, 1999 as compared to $9.02 at December 31, 1998. Based on the Company's business plan for 2000 and the retention of reported earnings in excess of minimum distribution requirements (refer to "Dividend Policy" below), the Company expects to increase its book value per share in the future.

The Company completed a re-securitization of a portion of its investment securities available-for-sale on October 21, 1999, which raised additional liquidity for the Company of approximately $23.4 million after repaying short-term borrowings secured by the investment securities portfolio. The cash proceeds were used to acquire mortgages from IFC, increase outstanding lending by the Warehouse Lending Operations, repurchase Common Stock and other business expansion. The Company reduced its reliance on reverse repurchase agreements to finance its investment securities to zero at December 31, 1999 as compared to $24.1 million at December 31, 1998. The Company continued to maintain reduced leverage and strong liquidity levels during the fourth quarter of 1999. The Company's debt-to-equity ratio increased to 6.0:1 at December 31, 1999 as compared to 5.6:1 at December 31, 1998, which was well within the Company's target range.

Throughout 1999, the Company acquired $638.3 million of mortgages from IFC for its Long-Term Investment Operations. These mortgages consisted of $506.6 million, or 79%, of A quality, non-conforming mortgages, of which $539.7 million, or 85%, were adjustable-rate mortgages. In addition, $222.9 million, or 35%, of mortgages acquired during 1999 for long-term investment had prepayment penalties as compared to $147.6 million, or 18%, of mortgages with prepayment penalties acquired during 1998. The Company expects that the higher percentage of mortgages acquired for long-term investment with prepayment penalties will lead to a reduction in overall prepayments. Constant prepayment rates ("CPR") on the Company's CMO portfolio during the fourth quarter of 1999 decreased 18% to 28% CPR as compared to 34% CPR during the fourth quarter of 1998. The loan delinquency rate of mortgages held for long-term investment which were 60 or more days past due, inclusive of foreclosures and delinquent bankruptcies, decreased to 5.43% at December 31, 1999 as compared to 7.58% at December 31, 1998.

Warehouse Lending Operations -> IWLG

The Company increased average finance receivables outstanding 75% to $135.9 million during the fourth quarter of 1999 as compared to $77.7 million during the third quarter of 1999. Average finance receivables during the fourth quarter of 1999 represented an increase of 34% over fourth quarter of 1998 average finance receivables outstanding of $101.7 million. Mr. Tomkinson commented, "The Company is expanding its warehouse lending business to increase average finance receivables outstanding to its customers. Our goal is to increase average outstanding balances to $170.0 million during 2000." Mr. Tomkinson commented further, "I expect the Company's Warehouse Lending Operations to be a significant contributor to earnings per share for 2000."

Loan Production

Total loan production at IFC increased 19% to $522.0 million during the fourth quarter of 1999 as compared to $440.0 million during the third quarter of 1999. Loan production during the fourth quarter of 1999 represented an increase of 41% over fourth quarter of 1998 loan production of $370.5 million. IFC's increase in loan production during the fourth quarter of 1999 occurred during a period of an estimated 20% decrease in national loan originations as forecast by the Mortgage Bankers Association. Unlike industry trends, the Company has not experienced a decrease in its loan production as a result of increased mortgage rates and decreased mortgage refinancing as evidenced by the following table:

Refinancing as a Percent of the Total

Residential Production Market

Period	Refis as a % of **Total Market (1)**	IFC's Refis as a % Of Total Production
Q4-99	22%	18%
Q3-99	23%	19%
Q2-99	38%	25%
Q1-99	54%	23%
Full Year 1999	36%	21%
Full Year 1998	50%	31%

(1) Mortgage Bankers Association estimates for 1999.

During the fourth quarter of 1999, IFC continued to reduce its exposure to prepayments by introducing programs with prepayment penalties and limiting premiums paid on loans without prepayment penalties. Approximately 36% of new loan production during the fourth quarter of 1999 included prepayment penalties as compared to approximately 29% during the fourth quarter of 1998. Absent any external market conditions, which may affect overall levels of loan production, IFC's increased number of customers, increased levels of prepayment penalties and lower loan acquisition costs should contribute to stability of the Company's future earnings.

Mr. Tomkinson stated, “absent any significant market change, the Company expects that its historical reliance on the real estate purchase market, as opposed to refinance activity, the expansion of its wholesale and retail origination efforts, and the roll out of IDASL will translate into higher production volumes in 2000.”

Dividend Policy

The Board of Directors has announced a dividend policy for 2000 that allows the Company to expand its business operations and focus on rebuilding the Company's balance sheet without the diluted effect of offering additional shares of Common Stock at current market levels. During 2000, the Company will only distribute 100% of taxable earnings. During 1999, the Company paid dividends in excess of taxable earnings, which represented a return of capital to its stockholders, of approximately $4.8 million over minimum distribution requirements. Of the total dividend distributions paid to common stockholders during 1999, 39% represented ordinary income and 61% represented a return of capital. During 2000, the Company expects to distribute between $0.36 to $0.38 per share, based on its business plan for 2000, to maintain its REIT status.

The Company's Board of Directors previously declared a fourth quarter dividend of $0.13 per common share, paid on January 17, 2000 to stockholders of record on January 3, 2000. The Company also previously declared a fourth quarter preferred stock dividend of $0.69 per preferred share paid on January 25, 2000 to preferred stockholders of record on December 31, 1999. For the year ended December 31, 1999, the Company declared common stock dividends of $0.48 per common share and preferred stock dividends of s p a n style="mso-spacerun: yes"> $2.75 per preferred share.

Loan Sales and Securitizations

Total loan sales to third parties decreased by $285.2 million to $233.2 million during the fourth quarter of 1999 as compared to $518.4 million during the third quarter of 1999 resulting in gain on sale of loans of $4.3 million as compared to $8.3 million, respectively. Loan sales decreased as IFC sold $349.8 million, in unpaid principal balance, of mortgages to IMH during the fourth quarter of 1999 in lieu of selling fourth quarter loan production to third party investors, which would have increased gain on sale of loans and net earnings for the fourth quarter of 1999. The Company decided to retain these mortgages for long-term investment and future income streams versus the short-term gains that would have been attained upon sale. Mr. Tomkinson commented, “We felt that it was important to begin the process of rebuilding the Company's balance sheet. By retaining approximately $350.0 million of adjustable-rate mortgage loans, the Company was able to complete a $460.0 million CMO in January 2000.” The use of CMO's as a financing tool minimizes the interest rate risk on the loans that are held as collateral and eliminates the risk of margin call features generally associated with reverse repurchase agreements.

Loan sales during the fourth quarter of 1999 represented a decrease of 57% over fourth quarter of 1998 loan sales of $541.9 million. Loan sales decreased as IFC sold loans during the fourth quarter of 1998 to meet margin calls and raise needed liquidity primarily due to the global liquidity crisis in the mortgage-backed securitization market, which occurred during the latter part of 1998.

Master Servicing and Servicing Portfolio

The master servicing portfolio decreased 30% to $2.6 billion at December 31, 1999 as compared to $3.7 billion at December 31, 1998. The decrease was attributable to the sale of approximately $945.0 million of mortgages, servicing released, during the latter half of 1998, which were subsequently transferred in 1999. An additional $541.6 million of mortgages were sold, servicing released, during the full year ended December 31, 1999. At December 31, 1999, IFC owned mortgage servicing rights (“MSR's”) on mortgages with an unpaid principal balance of $2.1 billion.

The sale of mortgages, servicing released, increased liquidity and reduced exposure to additional prepayment risk. Mortgages with prepayment penalties represented approximately 22% of the master servicing portfolio at December 31, 1999 as compared to approximately 15% at December 31, 1998. The master servicing portfolio had a weighted average coupon of 9.49% at December 31, 1999 as compared to a weighted average coupon of 9.47% at December 31, 1998. The weighted average coupon of the master servicing portfolio at December 31, 1999 and December 31, 1998 includes second trust deed mortgage loans of $283.6 million and $379.6 million, respectively, or 11% and 10%, respectively, of the master servicing portfolio. 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 4.65% at December 31, 1999 as compared to 4.81% at December 31, 1998.

Acquisition of California Industrial Thrift and Loan

The Company expects to submit a new application to state and federal regulatory agencies in the first quarter of 2000. The new application has been modified from the prior application in several key areas and to more clearly define the Bank as a stand-alone operation that is not reliant upon the Company for its success. It is anticipated that the Bank will market its own unique loan products, which will include mortgages, consumer equity loans and loans on small commercial and multi-family properties. However, there are no assurances that the new application for change of control will be received favorably by either of the state or federal regulatory agencies. In the event that the Company is unsuccessful in its efforts to obtain the Bank charter, management believes that it will have no adverse impact on the future profitability of the Company.

Impac Mortgage Holdings, Inc. -> Results of Operations

Fourth Quarter of 1999 As Compared to Fourth Quarter of 1998

Net Interest Income. Net interest income decreased 18% to $7.4 million during the fourth quarter of 1999 as compared to $9.0 million during the fourth quarter of 1998. Total interest income earned on Mortgage Assets, or core earnings, decreased 12% to $30.9 million during the fourth quarter of 1999 as compared to $35.2 million during the fourth quarter of 1998. Mortgage Assets are comprised of mortgage loans held-for-investment, CMO collateral, finance receivables and investment securities available-for-sale. Core earnings decreased during the fourth quarter of 1999 as average Mortgage Assets decreased 11% to $1.6 billion as compared to $1.8 billion during the fourth quarter of 1998. The decrease in average Mortgage Assets was primarily the result of a decrease in CMO collateral of 20% to $1.0 billion during the fourth quarter of 1999 as compared to $1.2 billion during the fourth quarter of 1998. Average CMO collateral decreased due to mortgage prepayments in excess of mortgage acquisitions added to the long-term investment portfolio during the course of 1999. The yield on average Mortgage Assets during the fourth quarter of 1999 was 7.81% as compared to 8.02% during the fourth quarter of 1998. The net interest margin was 1.82% during the fourth quarter of 1999 as compared to 2.00% during the fourth quarter of 1998.

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 fourth quarter of 1999, non-interest income was a loss of $(612,000) as compared to a loss of $(10.7) million during the fourth quarter of 1998. The change in non-interest income was primarily due to a decrease of $8.8 million in equity in net loss of IFC to $(1.2) million during the fourth quarter of 1999 as compared to $(10.0) million during the fourth quarter of 1998. s p a n style='layout-grid-mode:line'> The equity in net loss of IFC for the fourth quarter of 1998 was primarily due to loss on the sale of mortgages and non-cash write-downs on MSR's and investment securities available-for-sale. IFC sold mortgages at losses during the fourth quarter of 1998 due to a global liquidity crisis in the mortgage-backed securitization market, which occurred during the latter half of 1998.

Non-Interest Expense. During the fourth quarter of 1999, non-interest expense decreased to $1.6 million as compared to $4.2 million during the fourth quarter of 1998. This decrease was primarily due to a decrease in write-downs of investment securities to zero during the fourth quarter of 1999 as compared to $1.3 million during the fourth quarter of 1998. Loss on disposition of real estate owned decreased to $492,000 during the fourth quarter of 1999 as compared to $1.6 million during the fourth quarter of 1998. Excluding write-down of investment securities and loss on disposition of real estate owned, non-interest expense during the fourth quarter of 1999 decreased 15% to $1.1 million as compared to $1.3 million during the fourth quarter of 1998. The decrease in non-interest expense was primarily due to a decrease in property expense during the fourth quarter of 1999 as the Company sold its 50% ownership interest in a commercial office building, where the Company maintains its current headquarters, to Impac Commercial Holdings, Inc. during October of 1998.

Impac Funding Corporation -> Results of Operations

Fourth Quarter of 1999 As Compared to Fourth Quarter of 1998

Net Interest Income. Net interest income decreased to a negative $(571,000) during the fourth quarter of 1999 as compared to $1.0 million during the fourth quarter of 1998. The decrease was primarily due to an increase in borrowing costs due to a jump in short-term interest rates from Y2K concerns during the fourth quarter of 1999 and a lower concentration of high-yielding second trust deeds held-for-sale during the fourth quarter of 1999 as compared to the fourth quarter of 1998. High-yielding second trust deeds held-for-sale during the fourth quarter of 1998 were subsequently securitized in CMO and Real Estate Mortgage Investment Conduit (“REMIC”) transactions during 1999.

Non-Interest Income. During the fourth quarter of 1999, non-interest income increased to $4.2 million as compared to a loss of $(8.5) million during the fourth quarter of 1998. The increase in non-interest income was primarily due s p a n style='layout-grid-mode:line'>to net loss on the sale of mortgages and non-cash charges for the write-down of MSR's and investment securities available-for-sale during the fourth quarter of 1998. Loss on sale of loans and non-cash charges for write-downs of MSR's and investment securities available-for-sale during the fourth quarter of 1998 were primarily due to the global liquidity crisis experienced during the latter half of 1998.

Non-Interest Expense. During the fourth quarter of 1999, non-interest expense decreased to $5.8 million as compared to $8.5 million during the fourth quarter of 1998. This decrease was primarily due to a decrease in impairment of MSR's to zero during the fourth quarter of 1999 as compared to $3.7 million during the fourth quarter of 1998. Amortization of MSR's decreased to $1.4 million during the fourth quarter of 1999 as compared to $1.7 million during the fourth quarter of 1998 due to the decrease in prepayment rates. Excluding impairment and amortization of MSR's, non-interest expense increased to $4.2 million during the fourth quarter of 1999 as compared to $3.1 million during the fourth quarter of 1998. The increase was primarily due to start-up costs associated with the wholesale and retail origination divisions, ILG, and costs associated with the application of the Bank charter.

The Company has announced a conference call on Monday, January 31, 2000 at 11:00 a.m. Pacific Standard time to discuss the results of the Company's fourth quarter earnings. The conference call will be limited for discussion to certain buyside and sellside analysts and open for “listen only” to all those other parties interested. To participate, please call s p a n style="mso-spacerun: yes"> (800) 670-3544. 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 or (858) 812-6440, reservation number: 14301264.

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. s p a n style="mso-spacerun: yes"> 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. s p a n style="mso-spacerun: yes"> 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.

Balance Sheet

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