



Impac Mortgage Holdings, Inc. Announces First Quarter of 1999 Net Earnings of \$6.2 million as compared to a Fourth Quarter of 1998 Net Loss of \$(8.1) million

April 29, 1999

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Newport Beach, CA.

— Impac Mortgage Holdings, Inc. (the "Company" or "IMH": AMEX-IMH), a real estate investment trust, announced net earnings of \$6.2 million, or \$0.22 per basic common share, for the first quarter of 1999 which represents significantly improved results from a net loss of \$(8.1) million, or \$(0.33) per basic common share, for the fourth quarter of 1998. The fourth quarter of 1998 net loss was primarily due to a global liquidity crisis in the mortgage-backed securitization market that occurred during the latter part of 1998. Mr. Joseph R. Tomkinson, Chairman and CEO, states, "We were extremely pleased with the results of the first quarter. The Company returned to profitability on the sale of its mortgage loans, reduced exposure to mark-to-market risk, increased liquidity by selling its mortgage loans on a servicing released basis and returned to paying a common stock dividend to its stockholders. As a result of the global liquidity crisis during the latter part of 1998, the Company suffered significant losses on the sale of its mortgage loans. However, during the first quarter of 1999, the Company recorded increased monthly mortgage loan acquisitions and introduced two new divisions, which have provided additional loan production for the Company. The new divisions are focused on getting closer to the borrower through a retail based portfolio retention program, along with interacting directly with the mortgage broker community." Mr. Tomkinson commented further, "the efficiencies of today's technology has allowed the Company, in a cost effective manner, more direct access to its borrowers resulting in a reduction of premiums paid and ultimately, more control over its mortgage loan acquisitions. I feel that 1999 will be a strong year for the mortgage industry and I anticipate mortgage loan acquisitions for the industry should continue to grow for the remainder of the year and improved interest rate spreads will continue in the near term as competition during the global liquidity crisis contracted."

Liquidity and Leverage

During the first quarter of 1999, the Company continued to increase liquidity as cash and cash equivalents averaged \$21.3 million, which reflected the payment of the Company's third quarter dividend of \$12.1 million on January 6, 1999, as compared to average cash and cash equivalents of \$8.7 million during the fourth quarter of 1998. Liquidity also improved during the first quarter of 1999 as the Company completed its first Collateralized Mortgage Obligation ("CMO") since June of 1998. The CMO was issued in February of 1999 for \$186.1 million and was collateralized by \$124.0 million of adjustable-rate mortgages and \$77.8 million of residential loans secured by second trust deeds. The issuance of CMOs provides the Company with immediate liquidity, a locked-in net interest rate spread and eliminates the Company's exposure to margin calls on such loans. The issuance of the CMO during the first quarter of 1999 and the sale of mortgage loans during the fourth quarter of 1998 resulted in a decrease in average reverse repurchase and other borrowings of 32% to \$304.5 million during the first quarter of 1999 as compared to \$449.2 million during the fourth quarter of 1998. The Company experienced no margin calls during the first quarter of 1999 as the Company reduced its market risk exposure during the fourth quarter of 1998 rather than to continue to expose stockholders to further risk. As a result of loan sales during the fourth quarter of 1998, the issuance of 1,200,000 shares of Series B 10.5% Cumulative Convertible Preferred Stock in December of 1998 and the issuance of the CMO during the first quarter of 1999, the Company's ratio of debt to equity decreased to 5.54 at March 31, 1999 as compared to 5.55 at December 31, 1998 and 7.90 at September 30, 1998.

During the first quarter of 1999, the Company completed a definitive agreement to acquire a California thrift and loan. As previously disclosed, the Company does not anticipate any significant regulatory impediments during the application process. The thrift and loan will be headquartered at the Company's new location in Newport Beach, California, where the Company consolidated its business operations during the first quarter of 1999. Mr. Tomkinson states, "the acquisition of the thrift and loan will add yet another dimension of business to the Impac Companies which we expect will eventually enhance our future growth and profitability."

Book Value

The Company's book value per common share increased 6% to \$9.58 per common share at March 31, 1999 as compared to \$9.02 per common share at December 31, 1998. The Company's book value, including the conversion effect of the Series B 10.5% Cumulative Convertible Preferred Stock, was \$8.61 per common and common equivalent share outstanding at March 31, 1999. The Company's book value per common share increased due to the retention of \$3.1 million of earnings in excess of the first quarter dividend distribution to common and preferred stockholders, the Company's repurchase of 684,100 shares of common stock at an average price of \$5.66 per share, and the exchange of 1,357,416 common shares at an average price of \$5.70 per share for 11% senior subordinated debt due February 15, 2004. Total assets were \$1.6 billion at March 31, 1999 as compared to \$1.7 billion at December 31, 1998.

Common Stock Dividends

The Company's current common stock dividend policy is to base quarterly dividends per common share upon the Company's best estimate of taxable earnings for the year ending December 31, 1999. However, the Board of Directors reserves the right to make adjustments to this policy as actual results may differ from earnings projections. The most significant adjustments to taxable earnings during the first quarter of 1999 were the amortization of the termination of the Company's management agreement with Imperial Credit Advisors, Inc. in December of 1997, which resulted in quarterly

amortization of approximately \$2.7 million, and the exclusion of \$1.1 million of equity in net earnings of Impac Funding Corporation ("IFC"). The Company's Board of Directors previously declared a first quarter dividend of \$0.10 per common share, paid on April 23, 1999 to stockholders of record on April 9, 1999.

Investment securities available-for-sale

The Company's investment securities available-for-sale portfolio at March 31, 1999 consisted of the following:

(in thousands)	Fair value at March 31, 1999
AAA interest- and principal-only securities	\$ 42,851
Non-investment grade subordinated securities	50,720
Other asset-backed securities	10,802
Total investment securities available-for-sale	\$ 104,373

The fair value of AAA interest- and principal-only securities was determined by using a weighted average constant prepayment rate of 25% for the first quarter of 1999 and a weighted average discount rate of 12%. The fair value of the subordinated securities was determined by using a weighted average constant prepayment rate of 24% for the first quarter of 1999 and weighted average discount rate of 10%. The fair value of other asset-backed securities was determined by using a weighted average constant prepayment rate of 6% for the first quarter of 1999 and a weighted average discount rate of 11%.

Loan Loss Allowance

The Company's total allowance for loan losses expressed as a percentage of Gross Loan Receivables, which includes CMO collateral, finance receivables and loans held-for-investment, was 0.41% at March 31, 1999 as compared to 0.47% at December 31, 1998. The Company recorded net loan loss provisions of \$1.5 million during the first quarter of 1999 as compared to \$1.9 million during the first quarter of 1998. 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, value of the collateral and current economic conditions that may affect the borrowers' ability to pay.

Results of Operations

Net earnings significantly improved during the first quarter of 1999 as compared to the fourth quarter of 1998 primarily as IFC returned to profitability on the sale of its mortgage loans. The increased profitability on the sale of mortgage loans at IFC resulted in an increase in equity in net earnings of IFC to \$1.1 million during the first quarter of 1999 as compared to a net loss of \$(10.0) million during the fourth quarter of 1998. In addition, during the fourth quarter of 1998 IMH recorded a loss on sale of mortgage loans held-for-sale of \$2.1 million.

Net interest income decreased \$756,000, or 9%, to \$8.2 million during the first quarter of 1999 as compared to \$9.0 million during the fourth quarter of 1998 due to a decrease in average Mortgage Assets as the Company deleveraged its balance sheet and increased liquidity in response to the global liquidity crisis. Mortgage Assets includes CMO collateral, finance receivables, loans held-for-investment and investment securities available-for-sale. Average Mortgage Assets decreased 11% to \$1.6 billion during the first quarter of 1999 as compared to \$1.8 billion during the fourth quarter of 1998 due to the following: (1) the sale of Mortgage Assets during the fourth quarter of 1998, (2) a reduction in mortgage production at IFC, which decreased average outstanding finance receivables and (3) the Company's concentration on strengthening book value and conserving capital. However, the Company's net interest rate spread increased to 1.29% during the first quarter of 1999 as compared to 1.19% during the fourth quarter of 1998 primarily as a result of decreases in the level of loan premium amortization due to lower loan prepayments as compared to the latter part of 1998.

In addition, net earnings during the first quarter of 1999 were positively affected by a \$1.9 million decrease in non-interest expense as compared to the fourth quarter of 1998. Non-interest expense decreased 45% to \$2.3 million during the first quarter of 1999 as compared to \$4.2 million during the fourth quarter of 1998. The decrease in non-interest expense was primarily due to a decrease of \$1.0 million in loss on disposition of real estate owned and a decrease of \$884,000 on the write-down of investment securities available-for-sale.

Net earnings for the first quarter 1999 decreased to \$6.2 million as compared to \$11.1 million for the first quarter of 1998. Net interest income decreased for the first quarter of 1999 to \$8.2 million as compared to \$9.8 million for the first quarter of 1998. Non-interest expense increased to \$2.3 million for the first quarter of 1999 as compared to \$120,000 during the first quarter of 1998. The decrease in revenues and increase in expenses, during the first quarter of 1999, as compared to the first quarter of 1998 were due to the deleveraging of the Company's balance sheet and the certain

write-down of Mortgage Assets as a result of the global liquidity crisis, as previously discussed.

Impac Funding Corporation

Net earnings increased during the first quarter of 1999 to \$1.1 million as compared to a net loss of \$(10.1) million during the fourth quarter of 1998 as the mortgage-backed securitization market stabilized from the volatility that occurred during the latter half of 1998. Net earnings increased, during the first quarter of 1999, as compared to the fourth quarter of 1998 primarily as a result of increased profitability on the sale of mortgage loans. During the fourth quarter of 1998, IFC incurred significant losses on the sale of its mortgage loans as a result of mark-to-market losses on mortgage loans held-for-sale. The increased profitability on loan sales during the first quarter was partially offset by a non-recurring loss on sale of mortgage servicing rights ("MSRs") of \$567,000 and a non-recurring write-down on investment securities available-for-sale of \$559,000. Total assets at March 31, 1999 decreased to \$158.5 million as compared to \$313.9 million at December 31, 1998 while shareholders' equity increased 12% to \$14.5 million as compared to \$12.9 million, respectively.

As a result of whole loan sales for cash during the first quarter of 1999, as opposed to non-cash gains from asset-backed securitizations, liquidity improved as cash balances were \$9.5 million at March 31, 1999 as compared to \$422,000 at December 31, 1998. IFC sold mortgages totaling \$163.0 million to third party investors, during the first quarter of 1999, as compared to loan sales of \$541.9 million during the fourth quarter of 1998. Of the third party loan sales during the first quarter of 1999, IFC sold 69%, or \$112.6 million, of loans on a servicing released basis as compared to 100% of loans sold on a servicing released basis during the fourth quarter of 1998. IFC also sold \$204.3 million of mortgages to IMH during the first quarter of 1999 as compared to \$25.0 million during the fourth quarter of 1998. The sale of loans to IMH during the first quarter of 1999 increased IFC's deferred income to \$11.1 million at March 31, 1999 as compared to \$10.6 million at December 31, 1998.

IFC's mortgage acquisitions were \$257.5 million during the first quarter of 1999, which included bulk acquisitions of \$13.7 million, as compared to loan acquisitions of \$370.5 million, which included bulk acquisitions of \$1.6 million, during the fourth quarter of 1998. Loan acquisitions during the first quarter of 1998 were \$608.0 million, which included bulk acquisitions of \$231.4 million. IFC's servicing portfolio decreased 24% to \$2.8 billion at March 31, 1999 as compared to \$3.7 billion at December 31, 1998 as IFC sold approximately \$944.9 million of mortgages on a servicing released basis during the latter half of 1998. The sale of these loans on a servicing released basis during the latter half of 1998 increased the Company's liquidity and reduced its exposure to additional prepayment risk. IFC also completed the sale of approximately \$5.2 million of MSRs during the first quarter of 1999. As previously stated, IFC also expects to increase loan origination levels through the introduction of a direct wholesale and retail loan production platform which will be built on the current centralized Conduit Operations' and will employ significant electronic technologies to further increase operational efficiencies.

Net earnings for the first quarter of 1999 decreased to \$1.1 million as compared to \$2.2 million for the first quarter of 1998. Net interest income decreased to \$87,000 for the first quarter of 1999 as compared to \$4.0 million during the first quarter of 1998. Total non-interest income increased to \$7.5 million for the first quarter of 1999 as compared to \$4.9 million for the first quarter of 1998. Total non-interest expense increased to \$5.6 million for the first quarter of 1999 as compared to \$5.2 million for the first quarter of 1998. The decrease in net earnings of IFC was the result of lower average outstanding mortgage loans held-for-sale and lower mortgage acquisitions during the first quarter of 1999 which was partially offset by increased profitability on the sale of its mortgage loans.

The Company is a mortgage loan finance company that invests primarily in non-conforming mortgages which, together with its subsidiaries and related companies, operates three businesses. The Company's first business is to act as a long-term investor of primarily non-conforming residential mortgage loans and mortgage-backed securities secured by or representing interests in such loans. The second business is IFC, which purchases primarily non-conforming mortgage loans and to a lesser extent, second mortgages, from a network of third party correspondent loan originators and subsequently securitizes or sells such loans to permanent investors. As the Company's third business, Impac Warehouse Lending Group, a wholly-owned subsidiary of the Company, focuses on providing warehouse and reverse-repurchase financing to approved mortgage banks, most of which are correspondents of IFC.

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.

[Link to Balance Sheet](#)

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