Impac Mortgage Holdings, Inc. Announces 1998 First Quarter

May 1, 1998

IMPAC MORTGAGE HOLDINGS, INC.

(AMEX: IMH)

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Earnings increased 88% as compared to the First Quarter of 1997

Friday, May 1, 1998

Santa Ana Heights, CA. – Joseph R. Tomkinson, Chairman and CEO of Impac Mortgage Holdings, Inc. (The "Company" or "IMH": AMEX - IMH), a Maryland corporation being taxed as a Real Estate Investment Trust ("REIT"), today is pleased to report earnings increased 88% to $11.1 million, or $0.48 per common share, for the first quarter of 1998 as compared to $5.9 million, or $0.41 per common share, for the first quarter of 1997. The Company's Board of Directors previously declared a first quarter dividend of $0.48 per common share, paid on April 24, 1998, to stockholders of record on April 9, 1998, a 23% increase over the dividend paid of $0.39 for the first quarter of 1997. Total assets increased 16% to $2.0 billion at March 31, 1998 as compared to $1.8 billion at December 31, 1997.

The first quarter of 1998 generated favorable returns on average equity and average assets of 19.08% and 2.27%, respectively, as compared to 18.13% and 2.08%, respectively, for the first quarter of 1997, which represent increases of 5.2% and 9.1%, respectively. The Company's book value increased 36% to $13.07 at March 31, 1998 as compared to book value of $9.61 at March 31, 1997. During the first quarter of 1998, the Company raised $17.0 million from the sale of common shares issued through the Company's Dividend Reinvestment and Stock Purchase Plan at an average per share price of $16.16.

Earnings increased during the first quarter of 1998 as compared to the first quarter of 1997 primarily due to greater interest income from continued asset growth from the Company's Long-Term Investment and Warehouse Lending Operations, the elimination of advisor fees as a result of the termination of the Company's management agreement with Imperial Credit Advisors, Inc. ("ICAI") in December 1997, and increased profitability from the Company's Conduit Operations, Impac Funding Corporation ("IFC") and from Impac Commercial Holdings, Inc. ("ICH").

Asset growth during the first quarter of 1998 resulted in a 82.0% increase in average Mortgage Assets to $2.0 billion as compared to $1.1 billion during the first quarter of 1997. Mortgage Assets are comprised of mortgage loans held as investment, Collateralized Mortgage Obligation ("CMO") collateral, finance receivables and mortgage-backed securities. As a result of the increase in average Mortgage Assets, net interest income increased 26% to $9.8 million during the first quarter of 1998 as compared to $7.8 million during the first quarter of 1997. Consistent with the Company's business strategy of realizing earnings from the Long-Term Investment Operations, the Company issued $583.0 million of CMOs and acquired **$**658.7 million in mortgages from IFC during the first quarter of 1998 as compared to none and $333.7 million, respectively, during the first quarter of 1997.

The Company's earnings were positively affected by a reduction in management advisor fees resulting from the Company's buyout of its management agreement with ICAI. As a result of the buyout of the management agreement with ICAI, there were no advisor fees paid by IMH during the first quarter of 1998 as compared to $1.5 million in advisor fees paid by IMH during the first quarter of 1997. Under the previous management agreement with ICAI, the Company would have paid estimated advisor fees of $1.9 million during the first quarter of 1998 resulting in earnings per common share of $0.45 as compared to actual basic and diluted earnings per common share of $0.48. Therefore, the termination of the management agreement with ICAI was 7% accretive to the Company's stockholders in the first quarter of 1998.

Equity in net income of IFC increased 39% to $2.2 million during the first quarter of 1998 as compared to $1.6 million during the first quarter of 1997. IFC's earnings increased primarily due to increases in net interest income and loan servicing income. Net interest income increased primarily due to higher net interest margins earned on second trust deed mortgages acquired in bulk during the third and fourth quarters of 1997. The average outstanding balance of second trust deed mortgages were $144.4 million during the first quarter of 1998 as compared to none during the first quarter of 1997. IFC generally retains servicing rights on mortgages acquired resulting in an increase of 68% in IFC's servicing portfolio to $3.2 billion at March 31, 1998 as compared to **$**1.9 billion at March 31, 1997. As such, IFC's loan servicing income increased 57% to $1.0 million during first quarter of 1998 as compared to $638,000 during the first quarter of 1997. The loan delinquency rate of mortgages in IFC's servicing portfolio which were 60 or more days past due, inclusive of foreclosures and delinquent bankruptcies, was 3.20% at March 31, 1998 as compared to 3.05%, 4.03%, 3.74%, and 3.40% for the last four quarter-end periods. During the first quarter of 1998, 231 loans were removed from 90 days or more delinquent status of which 97 loans or 42% were reinstated, repurchased or paid-in-full ("cure rate").

IFC continues to support the Long-Term Investment Operations of the Company by supplying IMH with mortgages for its long-term investment portfolio. In acting as the mortgage conduit for the Company, IFC acquired $608.0 million of mortgages during first quarter of 1998 as compared to $521.8 million of mortgages acquired during the first quarter of 1997. In addition, IFC securitized $292.4 million of second trust deed mortgages and Imperial Capital Markets Group ("ICMG"), a division of IFC, sold whole loans to third party investors totaling $100.3 million resulting in gain on sale of loans of $2.5 million and $1.3 million, respectively, during the first quarter of 1998. This compares to securitizations of $275.4 million and whole loan sales to third parties of $34.0 million resulting in gain on sale of loans of $2.8 million and $1.2 million, respectively, during the first quarter of 1997. IFC had deferred income of **$**15.2 million at March 31, 1998 as compared to $7.0 million at December 31, 1997. The increase in deferred income during the first quarter of 1998 relates to the sale of $658.7 million of mortgages to IMH which are deferred and amortized or accreted over the estimated life of the loans.

Equity in net earnings (loss) of ICH increased to $378,000 during the first quarter of 1998 as compared to $(471,000) during the period from January

15, 1997 (Commencement of Operations) through March 31, 1997. The Company records 17.4% of equity in net income (loss) in ICH through the Company's ownership of ICH common stock.

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, was 0.28% at March 31, 1998 as compared to 0.51% at March 31, 1997. The allowance decreased as a percentage of Gross Loan Receivables as the Company continued its policy of accelerating loan charge-offs through the sale of delinquent loans, resulting in a loss on the sale of $937,000 against the allowance for loan losses during the first quarter of 1998, in order to reduce the Company's overall exposure to delinquent loans and future losses. The Company recorded loan loss provisions of $1.9 million during the first quarter of 1998 as compared to $1.5 million during the first quarter of 1997. Excluding provisions for loan losses, operating income increased 76% to $13.0 million for the first quarter of 1998 as compared to $7.4 million for the first quarter of 1997**.** The Company recorded gains on the disposition of real estate owned of $692,000 during the first quarter of 1998 as compared to losses on the disposition of real estate owned of $40,000 during the first quarter of 1997. The Company maintains a conservative policy of writing down the value of real estate owned to 70% of the appraised property value.

The Company is a mortgage loan investment company that invests primarily in non-conforming, high-yielding 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 lessor 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", "should", "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. 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 (PDF)

For more information call:

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