Impac Mortgage Holdings, Inc. Announces Results of Third Quarter 2010

November 16, 2010

IRVINE, Calif., Nov 15, 2010 (BUSINESS WIRE) -- Impac Mortgage Holdings, Inc. (NYSE Amex: IMH), a Maryland corporation, or the "Company," reports third quarter 2010 net earnings of $974 thousand, or $0.12 per diluted common share, as compared to a net earnings of $3.0 million, or $0.38 per diluted common share for the third quarter of 2009.

Mortgage and Real Estate Services

For the three and six months ended September 30, 2010, mortgage and real estate services fees were $15.5 million and $42.5 million, respectively. The mortgage and real estate services fees of $15.5 million for the three months ended September 30, 2010, was primarily comprised of $7.3 million in monitoring, surveillance and recovery fees, $4.5 million in title and escrow fees, $1.9 million in servicing income, and $1.8 million in loan modification fees. The mortgage and real estate services fees of $42.5 million for the nine months ended September 30, 2010, was primarily comprised of $20.1 million in monitoring, surveillance and recovery fees, $10.5 million in title and escrow fees, $7.7 million in loan modification fees, and $4.2 million in servicing income. Although the Company intends to generate more fees by providing these services to third parties in the marketplace, the revenues from these businesses have primarily been generated from the Company's long-term mortgage portfolio. Despite our efforts to expand these services, we have encountered challenges in selling these services to third-parties. Furthermore, since these businesses are recently established there remains uncertainty about their future success.

In October 2010, the Company completed the acquisition of 51% of AmeriHome Mortgage Corporation (AmeriHome) for $1.8 million, whereby the Company made a $950 thousand capital contribution to AmeriHome, paid $150 thousand to the founder of AmeriHome, and entered into a note payable requiring $20 thousand monthly payments for three years. As part of the transaction, the Company has an option to purchase an additional 39% ownership interest beginning January 1, 2011 for 1.5 times of 39% of the book value of AmeriHome plus $550,000 in cash. In addition, the founder has an option to sell his 49%, ownership beginning January 1, 2014, to the Company for 49% of book value. The book value of AmeriHome was approximately $2.8 million at the time of the Company's purchase of 51% ownership interest.

Results of Operations

Condensed Statement of Operations Data

(dollars, except per-share amounts, in thousands)	**For the Three Months Ended September 30,**			
	2010	**2009**	**Increase (Decrease)**	**% Change**
Interest income	$ 230,927	$ 341,323	$ (110,396)	(32) %
Interest expense	229,256	339,417	(110,161)	(32)
Net interest income	1,671	1,906	(235)	(12)
Total non-interest income	16,154	16,913	(759)	(4)
Total non-interest expense	15,552	14,016	1,536	11
Income tax expense	14	-	14	n/a
Earnings from continuing operations	2,259	4,803	(2,544)	(53)
Loss from discontinued operations, net	(1,285)	(1,776)	491	28
Earnings available to common stockholders before redemption of preferred stock	$ 974	$ 3,027	$ (2,053)	(68) %
Earnings per share available to common stockholders before redemption of preferred stock - basic	$ 0.13	$ 0.40	$ (0.27)	(68) %
Earnings per share available to common stockholders before redemption of preferred stock - diluted	$ 0.12	$ 0.38	$ (0.26)	(69) %

Selected Financial Results for the Three Months Ended September 30, 2010:

Continuing Operations

- Earnings from continuing operations of $2.3 million for the third quarter of 2010, compared to $4.8 million for the comparable 2009 period.

- Net interest income of $1.7 million for the third quarter of 2010, primarily from our long-term mortgage portfolio, compared to $1.9 million for the comparable 2009 period.
- Non-interest (loss) income - net trust assets of $(574) thousand for the third quarter of 2010, compared to $3.2 million for the comparable 2009 period.
- Mortgage and real estate services fees of $15.5 million for the third quarter of 2010, compared to $13.5 million for the comparable 2009 period.
- Personnel expense of $10.7 million for the third quarter of 2010, compared to $9.4 million for the comparable 2009 period.

Discontinued Operations

- Loss from discontinued operations of $1.3 million for the third quarter of 2010, compared to a loss of $1.8 million for the comparable 2009 period.
- Repurchase reserve was $8.7 million at September 30, 2010, compared to $11.0 million at December 31, 2009.

Stockholders' Equity

To understand the financial position of the Company better, we believe it is important to understand the composition of the Company's stockholders' equity (deficit) and to which component of the business it relates. At September 30, 2010, the equity (deficit) within our continuing and discontinued operations was comprised of the following significant assets and liabilities:

Condensed Components of Stockholders' Equity (Deficit)

(dollars in thousands)	**As of September 30, 2010**		
	Continuing Operations	**Discontinued Operations**	**Total**
Cash	$ 10,601	$ 72	$ 10,673
Residual interests in securitizations	27,884	-	27,884
Note payable	(8,125)	-	(8,125)
Long-term debt ($71,120 par)	(10,822)	-	(10,822)
Repurchase reserve	(25)	(8,707)	(8,732)
Lease liability (1)	-	(2,353)	(2,353)
Deferred charge	13,144	-	13,144
Net other assets (liabilities)	7,029	(2,465)	4,564
Stockholders' equity (deficit)	$ 39,686	$ (13,453)	$ 26,233

(1) Guaranteed by IMH.

At September 30, 2010, cash within our continuing operations decreased to $10.6 million from $25.7 million at December 31, 2009. The primary sources of cash between periods were $42.5 million in fees generated from the mortgage and real estate fee-based businesses and $9.9 million from residual interests in securitizations. Offsetting the sources of cash were operating expenses totaling $45.4 million and $23.5 million in payments on the note payable.

Since our consolidated and unconsolidated securitization trusts are nonrecourse, we have netted trust assets and liabilities to present the Company's interest in these trusts more simply, which are considered our residual interests in securitizations. For unconsolidated securitizations our residual interests represent the fair value of investment securities available-for-sale. For consolidated securitizations, our residual interests are represented by the fair value of securitized mortgage collateral and real estate owned, offset by the fair value of securitized mortgage borrowings and net derivative liabilities. We receive cash flows from our residual interests in securitizations to the extent they are available after required distributions to bondholders and maintaining overcollateralization levels within the trusts. The estimated fair value of the residual interests, represented by the difference in the fair value of trust assets and trust liabilities, was $27.9 million at September 30, 2010, compared to $23.0 million at December 31, 2009.

At September 30, 2010, our note payable decreased $22.9 million from December 31, 2009, as a result of monthly payments totaling $13.5 million comprising of principal and interest. Additionally, during April 2010, the Company made a $10.0 million principal payment that was due per the terms of the note payable. As of September 30, 2010, the balance of the note was $8.1 million and will mature in March of 2011.

Third Quarter 2010 Earnings Conference Call

The Company has announced a conference call and live web cast on Tuesday, November 16, 2010 at 9:00 a.m. Pacific Time (12:00 p.m. Eastern Time). We will discuss our third quarter 2010 financial results, followed by a question and answer session. If you would like to participate in the conference call, you may listen by dialing (866) 838 - 8084, conference ID number 23621024, or access the web cast via our web site at www.impaccompanies.com. To participate in the conference call, dial in fifteen minutes prior to the scheduled start time. The call will also be archived through November 23, 2010. To listen to the archived call dial (800) 642-1687 or (706) 645-9291, conference call ID 23621024. The conference call will also be archived on the Company's web site at www.impaccompanies.com and can be accessed by linking to Investor Relations / Stockholder Relations / Presentations. You can subscribe to receive instant notification of conference calls, new releases and the monthly unaudited fact sheet by using our e-mail alert feature located at the web site under Stockholder Relations/ Contact Us/Email Alerts.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "likely," "should," "could," "seem to," "anticipate," or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: the ongoing volatility in the mortgage industry; our ability to successfully manage through the current market environment; our ability to meet liquidity needs from current cash flows or generate new sources of revenue; management's ability to successfully manage and grow the Company's mortgage and real estate fee-based business activities; the ability to make interest payments; increases in default rates or loss severities and mortgage related losses; the ability to satisfy conditions (payment and covenants) in the note payable with a major creditor; our ability to obtain additional financing and the terms of any financing that we do obtain; inability to effectively liquidate properties to mitigate losses; increase in loan repurchase requests and ability to adequately settle repurchase obligations; decreases in value of our residual interests that differ from our assumptions; the ability of our common stock to continue trading in an active market; the outcome of litigation or regulatory actions pending against us or other legal contingencies; our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions. For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the period ended December 31, 2009. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

About Impac Mortgage Holdings, Inc.

The Company's operations include the management of the long-term mortgage portfolio to mitigate losses and maximize cash flows and the mortgage and real estate related fee-based businesses, including loan modifications, real estate disposition, monitoring and surveillance services and real estate brokerage and lending services.

SOURCE: Impac Mortgage Holdings, Inc.

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